



# CENTRAL BANK OF SAMOA

## SELECTED ECONOMIC INDICATORS REPORT FOR JULY 2007

This report is a monthly release of the latest available key macro indicators on the Samoan economy, with information sourced from the Central Bank, commercial banks, Ministry of Finance and the Ministry of Revenue.

Report No. 7/07

July 2007

### SUMMARY

*The latest economic indicators point to a diverse performance by the Samoan economy in July 2007.*

The external sector continued to perform well in the month under review with another overall monthly surplus of \$3.9 million in the balance of payments. This favourable external position was underpinned by increased estimates for tourism earnings and private remittances, both more than offsetting the worsening merchandise trade balance. In the event, the official gross foreign reserves improved to a level that covered 4.0 months of imports, similar to that in June 2007 but higher than 3.7 months import cover in July 2006.

The domestic sector, on the other hand, recorded mixed outcomes due to seasonal and prevailing demand conditions. The overall volume of local agricultural produce at the Fugalei Market improved to push down the overall price index at the Market. However, this was not sufficient to deter the acceleration of the headline inflation rate in July 2007 as strong domestic demand combined with the effects of the higher local tax rates and earlier appreciations in the New Zealand and Australian dollar to push the inflation rate up to 5.3 percent. On the monetary side, demand for commercial bank credit to the private sector and public institutions combined fell. The overall nominal value of the Tala appreciated with the US dollar weakening against all major currencies in the Samoan exchange rate basket.

### EXTERNAL TRADE

#### Exports

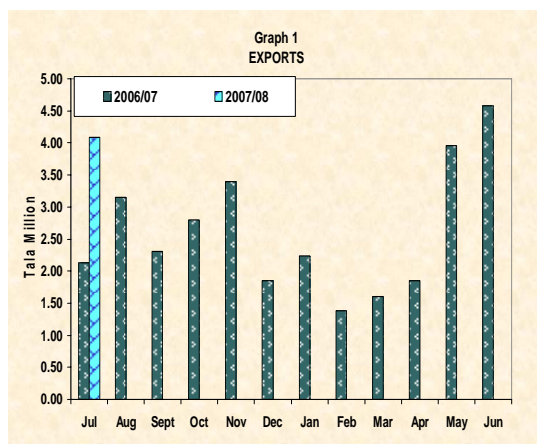
After four consecutive months of increases, export earnings fell 11 percent (\$0.5 million) to \$4.1 million in July 2007. At this level, however, it was 92 percent (\$2.0 million) higher than that of July 2006. (See Table 1 and Graph 1.)

The lower export revenue in the month under review reflected a drop in export volume for two major commodities. In particular, beer and nonu juice, recorded decreased revenues of \$0.2 million and \$0.1 million respectively. Smaller reductions in export receipts were also registered for other export commodities such as coconut cream (down \$69 thousand), re-exports (down \$27 thousand), taro (down \$18 thousand) and fresh fish (down \$10 thousand). Coconut oil and timber, on the other hand, were not exported in July 2007 after shipments in the previous month. These decreases more than offset increases in other commodities such as handicraft (up \$17 thousand), coconuts (up \$6 thousand) and Samoan cocoa (up \$2 thousand).

Table 1 : Exports, fob

Period	2006/07	2007/08	% change over prev. year
	Tala Mn	Tala Mn	
May	3.96		
June	4.58		
July	2.13	4.08	92

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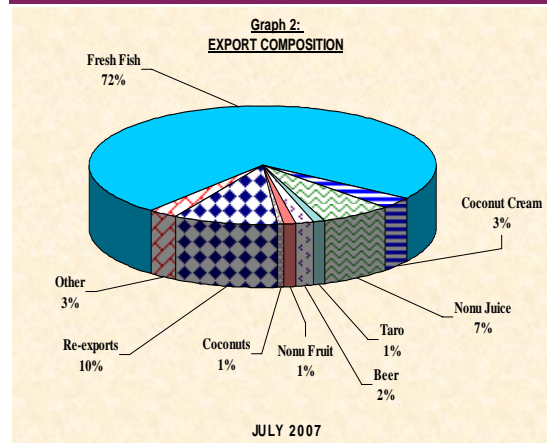


### Export Composition

Despite its decreased revenue in July 2007, fresh fish remained the largest export earner with 72 percent of total exports in the first month of 2007/08. This share, however, was lower than its 83 percent share in July 2006 with the reduction in its unit value more than offsetting the higher volume of fish caught over the year. Second in line and further behind, with 10 percent of total exports in July 2007 was re-exports, which was significantly higher than its 1 percent share last year due to improvements in recording of trade with Tokelau as well as recent shipments of scrap metal to New Zealand and Australia. Nonu juice contributed 7 percent of total exports in the month under review after an absence from last year while coconut cream accounted for a lower share of 3 percent (compared to 7 percent share in July 2006). Similarly, “other” exports contributed 3 percent of total exports with beer bringing in 2 percent. Taro, nonu fruit and coconuts recorded shares of 1 percent each in the first month of 2007/08. (See Table 2 and Graph 2.)

Table 2 : Export Composition

Composition	2006/07	2007/08	% change	2006/07	2007/08
	July	July	over	July	July
	Tala Mn	Tala Mn	prev. year	% shares	% shares
Fresh Fish	1.78	2.94	65.4	83	72
Coconut Cream	0.14	0.13	-11.3	7	3
Nonu Juice	0.00	0.27	#DIV/0!	0	7
Taro	0.05	0.04	-10.4	2	1
Beer	0.00	0.11	10500.0	0	2
Nonu Fruit	0.03	0.04	40.0	1	1
Coconuts	0.03	0.03	7.1	1	1
Coconut Oil	0.05	0.00	-100.0	2	0
Re-exports	0.01	0.43	3818.2	1	10
Other	0.05	0.11	118.4	2	3
<b>TOTAL</b>	<b>2.13</b>	<b>4.08</b>	<b>92</b>	<b>100</b>	<b>100</b>

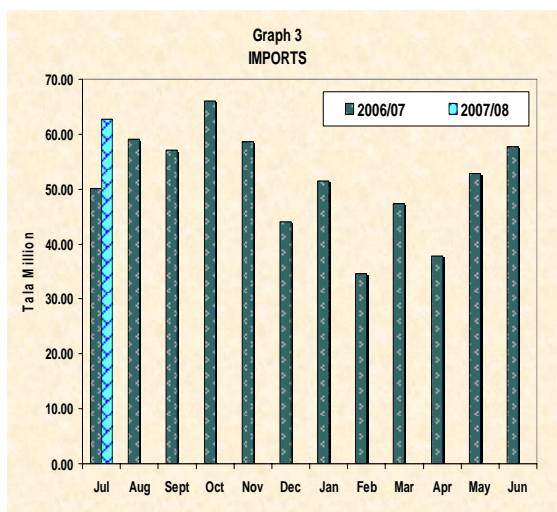


### Imports

A sectoral analysis of import payments is not yet available. However, total imports increased another 9 percent (\$5.1 million) to \$62.7 million in July 2007, a level that was 25 percent (\$12.7 million) higher than that of July last year. This increase over the year reflected strong demand pressure associated with the growing economy. (See Table 3 and Graph 3.)

Table 3 : Imports, fob

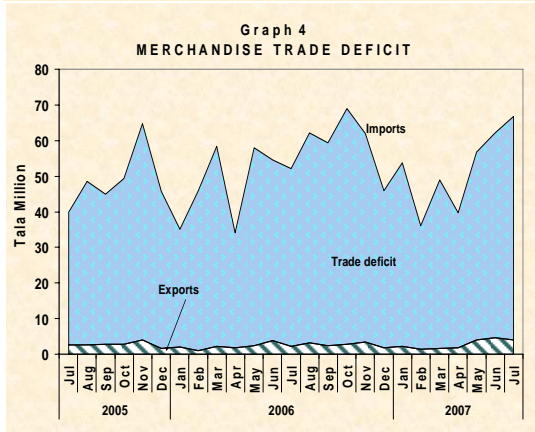
Period	2006/07	2007/08	% change
	Tala Mn	Tala Mn	over prev. year
May	52.88		
June	57.64 @		
July	50.09	62.74	25
@ - revised			



### Merchandise Trade Deficit

The merchandise trade balance deteriorated in the month under review following increased import payments and lower export revenue. In the event, the merchandise trade deficit increased 11 percent (\$5.6 million) to \$58.7 million, a level that was 22 percent (\$10.7 million) larger than that in July 2006. (See Table 4 and Graph 4.)

Period	Exports	Imports	Trade Deficit
	Tala Mn	Tala Mn	Tala Mn
July 2006	2.13	50.09	47.96
June 2007	4.58	57.64 @	53.06
July 2007	4.08	62.74	58.66



## TOURISM

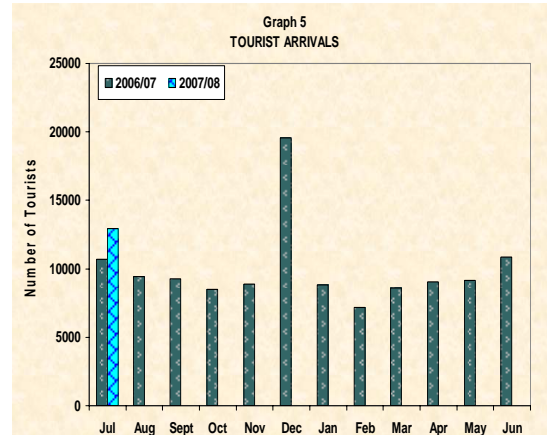
### Tourist Arrivals

In line with historical trends, tourist arrivals were estimated to increase 19 percent to 12,916 in July 2007. The higher level of arrivals in the month under review largely reflected increased number of visitors arriving for holiday in the country as well as those visiting friends and relatives. Annual conferences for the Methodist Church and Worship Centre as well as the youth gathering for the Catholic Church were major events that attracted some Samoan communities from countries such as New Zealand, Australia and USA. When compared to July 2006, the current level of tourist arrivals were 21 percent higher providing further evidence of an expansion in the tourism sector attributed to cheaper airfares and greater overseas tourism promotions. (See Table 5 and Graph 5.)

Table 5 : Tourist Arrivals

Period	2006/07	2007/08	% change over prev. year
May	9,166		
June	10,854		
July	10,697	12,916	21

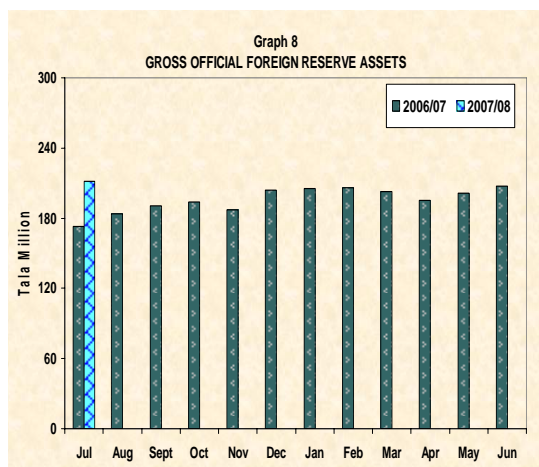
p - provisional



### Tourism Earnings

Reflecting the higher number of tourists in the month under review, tourism revenue surged 48 percent (\$9.1 million) to \$27.8





in the month under review. In addition, higher prices for cough mixture and consultancy fee for private doctors increased the “Miscellaneous” sub-group by 0.6 percent while that for “Housing and Household Operations” sub-index edged up 0.2 percent. On the other hand, the “Alcohol and Tobacco” sub-group remained unchanged from the previous month. Reflecting the increased prices of petrol prices, imported food, cough mixture and housing materials, the overall import component rose 0.4 percent in July 2007. (See Table 9a.)

## PRICES

### Headline CPI

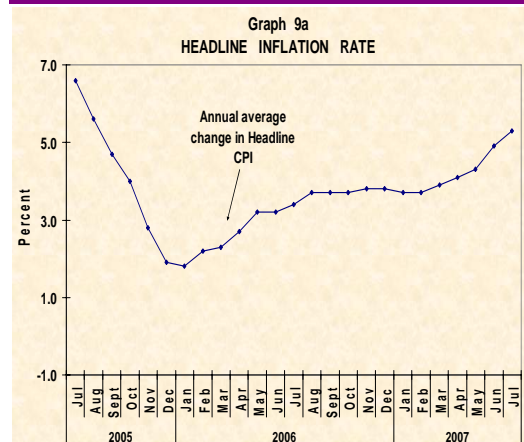
The headline Consumer Price Index, as released by the Ministry of Finance, fell 0.4 percent in July 2007. On an annual average basis, however, consumer prices in the year ending July 2007 was higher than that in the period ending July 2006, contributing to the acceleration of the annual headline inflation rate. At 5.3 percent, the annual rate of headline inflation in July 2007 was higher than 4.9 percent in June 2007 as well as the 3.4 percent inflation rate a year ago. (See Graph 9a.)

Contributing the most to the reduction in the headline CPI in July 2007 were decreases in food and clothing prices. The “Food” sub-index decreased 1.1 percent, driven by a 2.9 percent fall in prices of local agricultural produce such as banana, breadfruit, coconut, fresh fish and some vegetables. Prices for “Clothing and Footwear” also fell 1.1 percent with the main contributions coming from decreased prices in imported clothing such as ie lanutasi (calico), poplin dressing materials and ie faitaga. These decreases more than offset the upward movement in prices of other commodities. In particular, increased prices of unleaded petrol and engine oil bumped up the “Transport and Communications” sub-index by 0.7 percent

Table 9a : Headline Consumer Price Index

Period	2005/06	2006/07	% change over prev. year
Annual average to July	104.1	109.6	5.3
May	105.3	111.7	6.1
June	104.1	113.0	8.5
July	104.5	112.6 (p)	7.8

Base period: March 2004 = 100 (p) - provisional



### Underlying CPI

Excluding prices of volatile items from the headline CPI, the overall underlying price index<sup>1</sup> edged up 0.4 percent in July 2007. With the exception of the “Clothing and Footwear” sub-index which declined 1.1 percent, all other sub-indices recorded increases, particularly the “Miscellaneous” sub-index (up 1.2 percent), “Housing and

<sup>1</sup> This index permanently excludes from the CPI basket those items whose prices are volatile in nature, which may be due to seasonal factors or climate changes as well as items whose prices are regulated by Government. This index represents approximately 51 percent of the overall headline CPI.

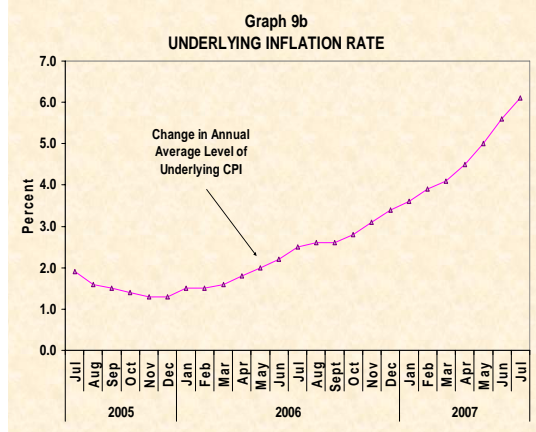
Household Operations” sub-index and “Transport and Communications” sub-index (up 0.5 percent each) with a 0.3 percent rise in the “Food” sub-index. And, with the prevailing strong demand pressure on prices, this month’s rise pushed the annual underlying inflation rate further up to 6.1 percent, from 5.6 percent in the previous month. And, when compared to June 2006, the current underlying inflation rate more than doubled the 2.5 percent inflation rate last year on account of the strengthened exchange rates of Samoa’s two main trading partners (New Zealand and Australia), the increased VAGST and in particular, strong aggregate demand over the year. (See Table 9b and Graph 9b.)

Table 9b : Underlying Consumer Price Index

Period	2006/07	2007/08	% change over prev. year
Annual average to July	104.5	110.9	6.1
May	104.1	112.8	8.4
June	103.8	113.5	9.3
July	104.6	113.9 (p)	8.9

Base period: March 2004 = 100

(p) - provisional



## FUGALEI MARKET SURVEY

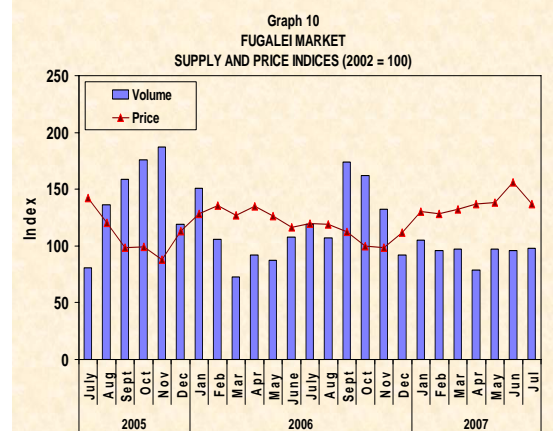
After a stagnant outcome at the Fugalei Market in the previous month, the overall volume of agricultural produce increased 2 percent in July 2007. Reflecting this improvement were increased supplies of taro, coconut, head cabbage, tomatoes, Chinese cabbage and pumpkins. In the event, the overall price index decreased 13 percent in the month under review. When

compared to July 2006, however, the current volume of agricultural produce was 19 percent lower with the overall price level higher by 14 percent over a year ago. (See Table 10 and Graph 10.)

Table 10 : Fugalei Market Survey

Volume and Price Indices (2002=100)\*

Produce	Weights	Volume Index			Price Index		
		Jul-06	Jun-07	Jul-07	Jul-06	Jun-07	Jul-07
Taro	0.31	41	50	87	114	123	133
Banana	0.14	184	101	99	116	136	123
Taro Palagi	0.02	97	43	29	104	179	162
Ta'amu	0.10	249	263	101	106	141	145
Coconut	0.06	83	183	200	173	173	155
Breadfruit	0.01	124	304	118	105	35	78
Yam	0.01	204	197	169	184	171	157
H.Cabbage	0.10	183	76	97	62	159	125
Tomatoes	0.04	71	33	70	150	209	164
Ch.Cabbage	0.03	357	150	197	83	129	119
Cucumber	0.03	95	181	70	144	138	156
Pumpkin	0.15	76	20	77	154	244	143
<b>Total</b>	<b>1.00</b>	<b>121</b>	<b>96</b>	<b>98</b>	<b>119</b>	<b>156</b>	<b>137</b>



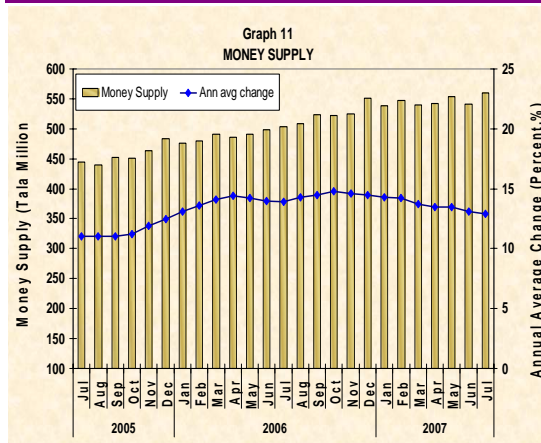
## MONEY AND CREDIT

### Money Supply (M2)

Money supply increased significantly in July 2007 with a 3 percent (\$18.2 million) surge to \$559.9 million after dropping 2 percent in the previous month. The monetary growth over the month was due to a huge increase of \$17.7 million in net domestic assets following a significant reduction in Government’s net position with the banking system. Similarly, net foreign assets contributed to the growth in M2 with a rise of \$0.5 million. While the current level of M2 was 11 percent higher

than in July 2006, the annual growth rate in the year ending July 2007 slowed down to 12.9 percent from 13.1 percent in the year ending June 2007. (See Table 11 and Graph 11.)

Period	2006/07	2007/08	% change over prev. year
	Tala Mn	Tala Mn	
Annual average to July	476.32	537.84	12.9
May	553.33		
June	541.78		
July	503.15	559.93	11.3

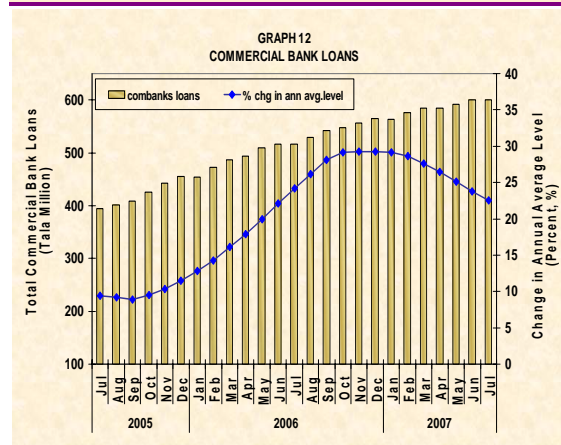


### Bank Credit to the Private Sector

After five months of sustained growth, demand for commercial bank credit eased slightly in July 2007. This was reflected by a 0.1 percent (or \$0.6 million) drop to \$600.0 million in commercial banks' loans to the private sector and public institutions combined in the month under review. A sectoral analysis of bank credit distributed to the economy showed a reduction in outstanding claims to most industries such as "other activities" (down \$4.9 million), "trade" (down \$4.8 million), "building" (down \$1.6 million), "professional and business services" (down \$0.5 million) and "electricity" (down \$0.5 million). On the other hand, the "transport and communications", "manufacturing" and "agriculture" sectors recorded further increases of \$8.2 million, \$2.2 million and \$1.2 million respectively. The fall in total bank credit to the private sector and public institutions combined contributed to the

decrease to 22 percent in the credit growth rate for the year ending July 2007 from 24 percent in the previous fiscal year 2006/07. (See Table 12 and Graph 12.)

Period	2006/07	2007/08	% change over prev. year
	Tala Mn	Tala Mn	
Annual average to July	465.28	570.10	22.5
May	591.94		
June	600.58		
July	517.09	600.00	16.0

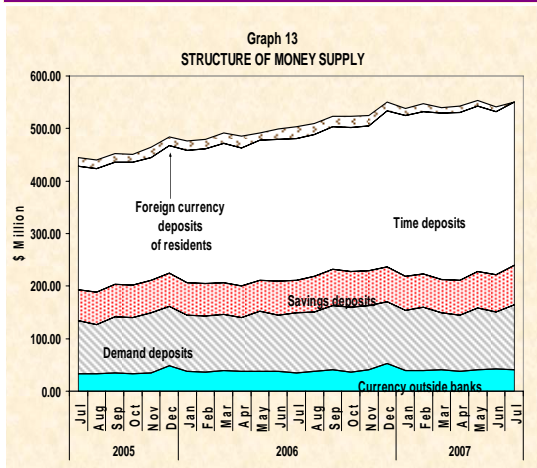


### Structure of Money Supply

The monetary growth in July 2007 reflected increases of \$13.1 million and \$5.1 million in narrow money (M1) and quasi-money. A substantial increase of \$14.2 million in demand deposits, which more than offset a \$1.1 million drop in currency outside banks, was responsible for the increase in narrow money. Quasi-money, on the other hand, increased as a result of further expansions in savings deposits (up \$4.0 million) and time deposits (up \$1.7 million), more than outweighing a \$0.6 million fall in foreign currency deposits of residents. In the event, the composition of M2 in the month under review changed slightly. With its significant jump in July 2007, demand deposits accounted for 22 percent of money supply (up from a 20 percent share in the previous month). The shares for currency outside banks and time deposits, on the other hand, decreased to 7 percent and 56 percent respectively from 8 percent and 57 percent shares in that order

in June 2007. Savings deposits and foreign currency deposits of residents accounted for the same shares of 13 percent and 2 percent respectively as in the previous month. (See Table 13 and Graph 13.)

End Month			% change between July 2007 and...	
	July 2006	June 2007	July 2007	July 2006
1. Money (M1)	149.76	151.00	164.09	9.6
Currency outside banks	34.43	42.36	41.26	19.8
Demand deposits	115.33	108.64	122.83	6.5
2. Quasi Money	353.39	390.78	395.84	12.0
Savings deposits	61.72	71.21	75.19	21.8
Time deposits	269.17	309.86	311.56	15.7
Foreign currency deposits of residents	22.50	9.71	9.09	-59.6
3. Money Supply (M2)	503.15	541.78	559.93	11.3



spread<sup>2</sup> widened 16 percentage points to 6.38 percent in the month under review. (See Table 14 and Graph 14.)

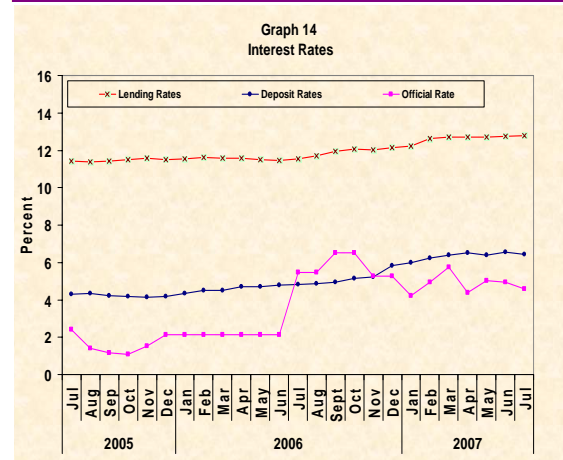
	Jul-06	Mar-07	Apr-07	May-07	Jun-07	Jul-07
Average Lending Rate *	11.52	12.69	12.70	12.72	12.76	12.80
Average Deposit Rate *	4.82	6.40	6.50	6.41	6.54	6.42
Interest Rate Spread	6.70	6.29	6.20	6.31	6.22	6.38

	Jul-06	Mar-07	Apr-07	May-07	Jun-07	Jul-07
Overall rate	5.45	5.73	4.37	5.03	4.94	4.60
14-Day	-	5.00	3.25	4.00	4.30	4.30
28-Day	5.25	-	5.12	5.20	5.65	5.33
56-Day	6.00	6.00	-	5.90	6.00	5.00
91-Day	-	7.00	-	-	6.00	-
182-Day	-	-	-	-	-	-
365-Day	-	-	-	-	-	-

\* Commercial Banks weighted average interest rates

\*\* Weighted average interest rate



## INTEREST RATES

The official interest rate fell 34 percentage points to 4.60 percent in July 2007 reflecting a shift in investments towards shorter term CBS Securities.

On market rates, the commercial banks' weighted average lending rates increased further to 12.80 percent (from 12.76 percent in June) reflecting a shift in weight towards the high end of the lending rate spectrum. Deposit rates, on the other hand, fell 12 percentage points to 6.42 percent. In the event, the commercial banks' interest rate

## EXCHANGE RATES

The US dollar continued to be weighed down by heavy negative sentiments by economic agents. Causing much concern in the US market was the weakening effects of the housing market on overall US growth as well as the lower US Federal Reserve Fund rate compared to yields of other major currencies. In the event, the US dollar

<sup>2</sup> This weighted interest rate spread is the difference between the interest rates on private sector deposits and private sector credit. Taken on its own, it does not accurately reflect the profitability of the banking system since it does not take into account losses due to non-performing loans, regulatory costs and other revenues.

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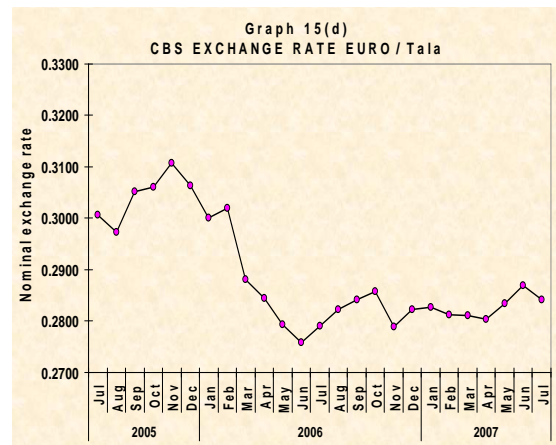
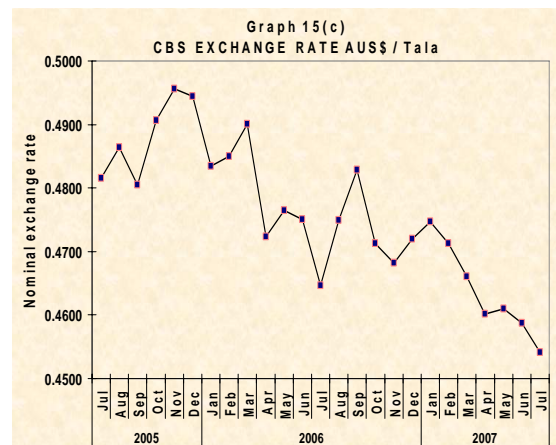
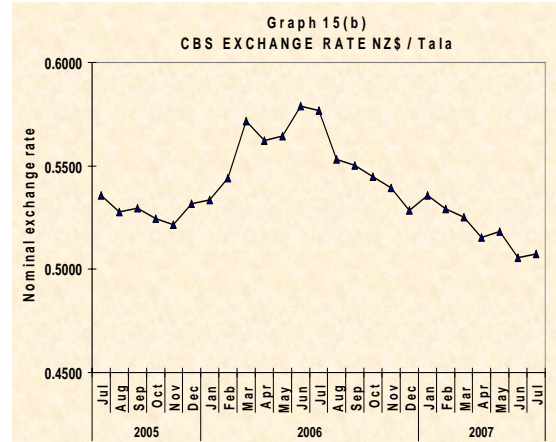
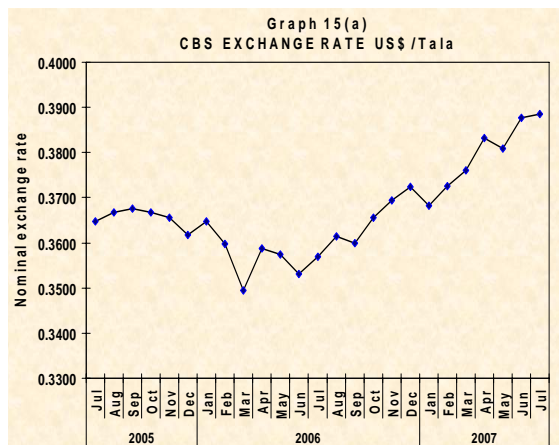
weakened against all the major currencies in the Tala exchange rate basket in July 2007. The Tala, as a consequence, strengthened against the US dollar (up 0.2 percent) and the New Zealand dollar (up 0.4 percent) but weakened against the Australian dollar (down 1.0 percent), Japanese Yen (down 3.0 percent), European Euro (down 1.0 percent) and the Fijian dollar (down 0.6 percent). (See Table 15 and Graph 15 (a-f).)

**Table 15: CBS Exchange Rates**

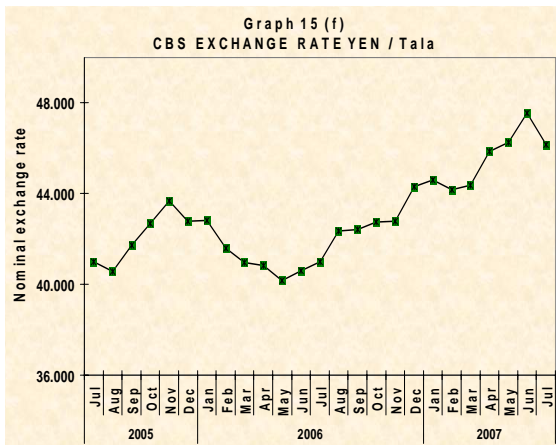
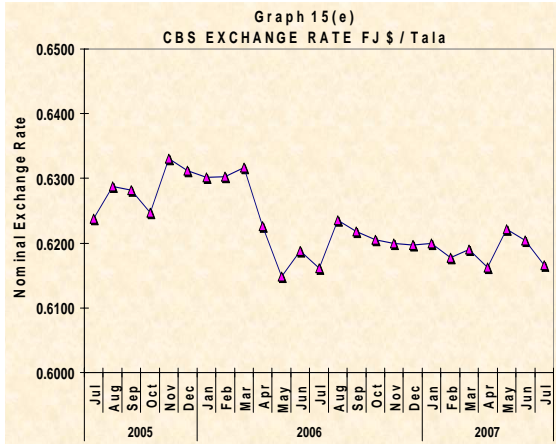
(Foreign Currency per Tala : End month midrates)

	% Appreciation(+)/Depreciation(-) of Tala between July 2007 and .....				
	July	June	July	July	June
	2006	2007	2007	2006	2007
USD	0.3570	0.3877	0.3886	8.85	0.23
NZD	0.5766	0.5054	0.5074	-12.00	0.40
AUD	0.4647	0.4588	0.4541	-2.28	-1.02
EURO	0.2790	0.2870	0.2842	1.86	-0.98
FJD	0.6161	0.6204	0.6166	0.08	-0.61
YEN	40.9884	47.5606	46.1550	12.61	-2.96

Consequently, the overall nominal value of the Tala appreciated 2 points in July 2007.



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**CENTRAL BANK OF SAMOA**  
27<sup>th</sup> August 2007

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