



# CENTRAL BANK OF SAMOA

## SELECTED ECONOMIC INDICATORS REPORT FOR OCTOBER 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. 10/07

October 2007

### SUMMARY

*The latest economic indicators revealed a positive performance in October 2007.*

The external sector maintained its positive performance in October 2007 with another overall monthly surplus in the balance of payments. This favourable external position reflected a further reduction in the merchandise trade deficit, an estimated increase in private remittances, SamoaTel revenues (of \$0.3 million) from their "Call Samoa" telephone service for consumers in New Zealand, all offsetting lower tourism revenue. In the event, the official gross foreign reserves improved to a level that covered 4.2 months of imports, just above the 4.1 months import cover in September 2007 and 3.8 months import cover in October 2006.

The domestic sector similarly recorded encouraging outcomes that were mainly attributed to seasonal and prevailing demand conditions. The Fugalei Market saw huge supplies of agricultural goods pushing the overall price level down. This helped restrain the acceleration of inflation in October 2007. On the monetary side, demand for commercial bank credit to the private sector and public institutions combined eased slightly. The overall nominal value of the Tala appreciated with all major currencies in the Samoan exchange rate basket strengthening against the US dollar.

### EXTERNAL TRADE

#### Exports

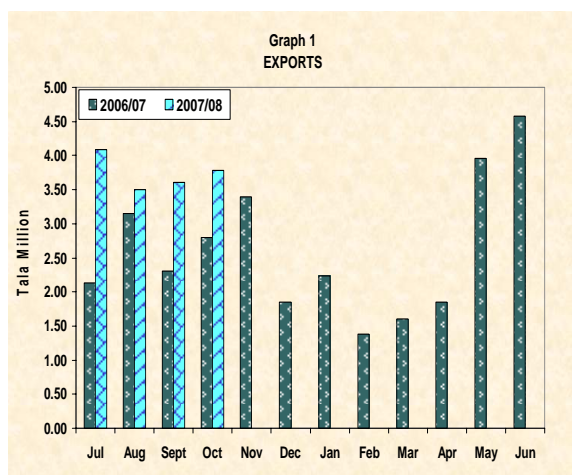
Export revenue increased a further 5 percent (\$0.2 million) to \$3.8 million in October 2007. At this level, it was 36 percent (\$1.0 million) higher than that of a year ago. (See Table 1 and Graph 1.)

The higher export revenue in the month under review reflected a \$0.3 million surge in re-exports, due to increased trading with Tokelau. Other commodities contributing to increased export receipts in October 2007 were taro (up \$37 thousand), beer (up \$29 thousand), nonu juice (up \$10 thousand), soft drinks (up \$8 thousand), handicrafts (up \$5 thousand), coconuts (up \$4 thousand) and vegetables (up \$2 thousand). Partially offsetting these increased earnings were decreased inflows from fresh fish (down \$0.1 million), coconut cream (down \$21 thousand) and nonu fruit (down \$15 thousand).

Table 1 : Exports, fob

Period	2006/07	2007/08	% change over prev. year
	Tala Mn	Tala Mn	
Total (July - Oct)	10.39	14.98	44
Average per month	2.60	3.74	44
August	3.15	3.50	11
September	2.31	3.61	56
October	2.80	3.79	36

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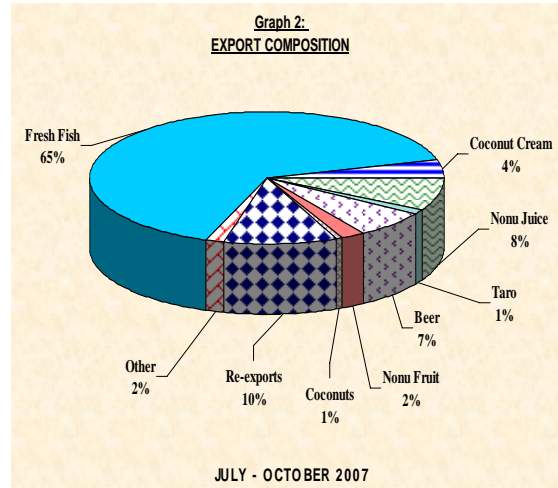
**Export Composition**

Although revenue from fresh fish declined in October 2007, it still contributed the largest share (65 percent) of total export earnings in the first four months of 2007/08. This proportion, however, was lower than its 70 percent share in the same period of 2006/07 reflecting lower unit value received for fresh fish, which more than offset improved volume of export. Re-exports was the second largest export earner in the period under review with a 10 percent share of total exports compared to a mere 1 percent in the four months ending October 2006. This increased share over the year reflected the improved recording of trade with Tokelau as well as shipments of scrap metals to New Zealand, Australia and American Samoa. Also recording a higher share of total exports in the first four months of 2007/08 was nonu juice with an 8 percent share compared to a 5 percent intake in the same period of 2006/07. Beer, on the other hand, accounted for 7 percent of total exports in the period under review, a share lower than its 9 percent share in the first four months of 2006/07. Similarly, recording lower contributions in the first four months of 2007/08 compared to 2006/07 were coconut cream (4 percent from 7 percent in 2006/07), nonu fruit (at 2 percent from 3 percent last year) and taro (down to 1 percent from 2 percent). “Other” exports and coconuts contributed similar shares from last year with 2 percent

and 1 percent respectively. (See Table 2 and Graph 2.)

**Table 2 : Export Composition**

Composition	2006/07	2007/08	% change over prev. year	2006/07	2007/08
	July - Oct Tala Mn	July - Oct Tala Mn		July - Oct % shares	July - Oct % shares
Fresh Fish	7.24	9.73	34	70	65
Coconut Cream	0.73	0.65	-12	7	4
Nonu Juice	0.54	1.22	124	5	8
Taro	0.19	0.18	-2	2	1
Beer	0.91	0.99	9	9	7
Nonu Fruit	0.32	0.32	0	3	2
Coconuts	0.11	0.12	5	1	1
Coconut Oil	0.05	0.00	-100	1	0
Re-exports	0.11	1.52	1241	1	10
Other	0.18	0.26	47	2	2
<b>TOTAL</b>	<b>10.39</b>	<b>14.98</b>	<b>44</b>	<b>100</b>	<b>100</b>



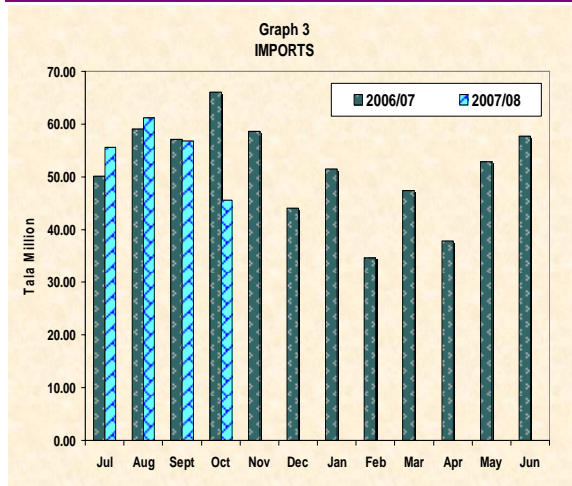
**Imports**

Import payments continued to decrease for the second consecutive month, plunging 20 percent (\$11.2 million) to \$45.5 million in October 2007. This month’s decline reflected decreases of \$6.8 million and \$5.0 million respectively in petroleum and non-petroleum imports of the private sector. Government imports, on the other hand, increased \$0.6 million in October. And, in the first four months of 2007/08, total imports were 6 percent (\$13.5 million) lower than in the same period of 2006/07. (See Table 3 and Graph 3.)

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**Table 3 : Imports, fob**

Period	2006/07	2007/08	% change over prev. year
	Tala Mn	Tala Mn	
Total (July - Oct)	232.37	218.92	-6
Average per month	58.09	54.73	-6
August	59.06	61.16	4
September	57.09	56.72	-1
October	66.12	45.48	-31



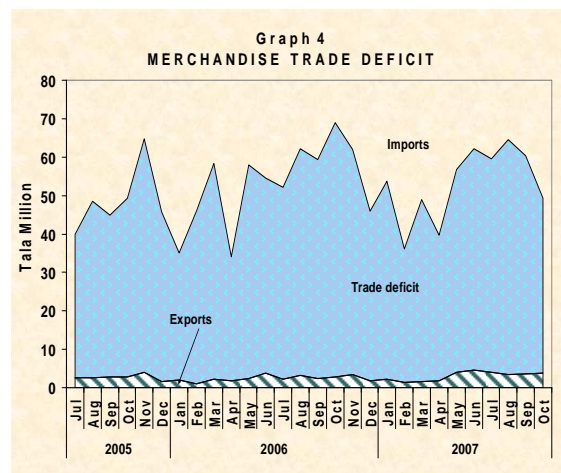
**Merchandise Trade Deficit**

The merchandise trade balance improved further in October 2007 following reduced import payments and increased export earnings. In the event, the merchandise trade deficit narrowed 22 percent (\$11.4 million) to \$41.7 million, a level that was also 34 percent (\$21.6 million) lower than the trade deficit in October 2006.

**Table 4 : Merchandise Trade Deficit**

Period	Exports	Imports	Trade Deficit
	Tala Mn	Tala Mn	Tala Mn
Total (July - Oct) 2006/07	10.39	232.37	221.98
Total (July - Oct) 2007/08	14.98	218.92	203.95
Average per month to Oct 2006	2.60	58.09	55.50
Average per month to Oct 2007	3.74	54.73	50.99
October 2006	2.80	66.12	63.33
September 2007	3.61	56.72	53.11
October 2007	3.79	45.48	41.69

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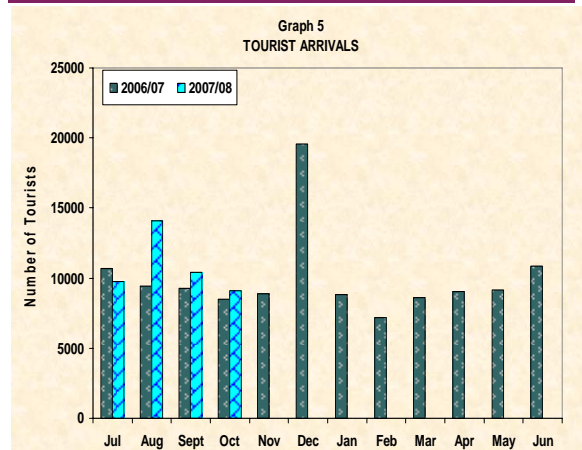
**TOURISM**

**Tourist Arrivals**

Tourist arrivals decreased 13 percent in October 2007 to 9,080; a level that was nevertheless 7 percent higher than that of October 2006. For the first four months of 2007/08, total tourist numbers were 14 percent higher than in the same period of 2006/07 with the hosting of the 13<sup>th</sup> South Pacific Games in August/September contributing to the high influx of visitors in the period under review. (See Table 5 and Graph 5.)

**Table 5 : Tourist Arrivals**

Period	2006/07	2007/08	% change over prev. year
	Tala Mn	Tala Mn	
Total (July - Oct)	37,881	43,311	14
August	9,422	14,096	50
September	9,247	10,397	12
October	8,515	9,080	7

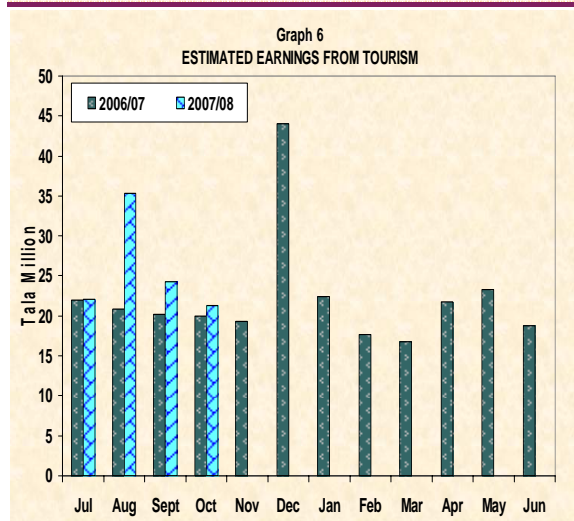


## Tourism Earnings

Tourism earnings, as a consequence of lower tourist arrivals, decreased 12 percent (\$3.0 million) to \$21.7 million in the month under review. However, this current level was 7 percent (\$1.4 million) higher than that in October last year, which contributed to a 24 percent increase in tourism revenue in the four months ending October 2007. (See Table 6 and Graph 6.)

Table 6 : Estimated Earnings from Tourism

Period	2006/07	2007/08	% change over prev. year
	Tala Mn	Tala Mn	
Total (July - Oct)	82.97	102.95	24
Annual average to Oct	18.91	23.89	26
August	20.83	35.32	70
September	20.22	24.24	20
October	19.94	21.29	7



## PRIVATE REMITTANCES

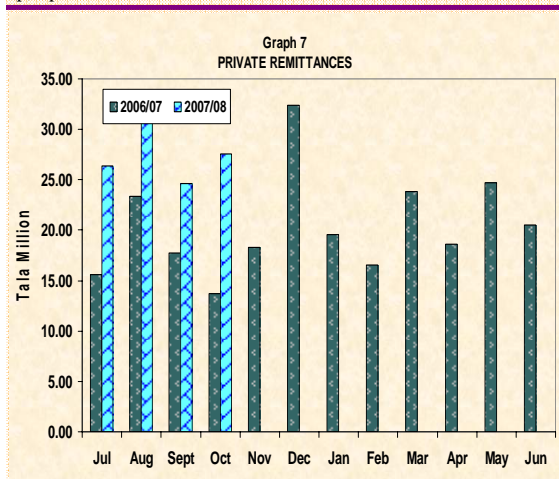
### Private Remittances

Based on historical trends, provisional estimates for private remittances point to a 12 percent (\$2.9 million) increase to \$27.6 million in the month under review, which more than doubled the inflows received in October 2006. As a result, total private remittances in the first four months of 2007/08 surged 56 percent to \$109.8 million. (See Table 7 and Graph 7.)

Table 7 : Private Remittances

Period	2006/07	2007/08	% change over prev. year
	Tala Mn	Tala Mn	
Total (July - Oct)	70.38	109.82	56
Annual average to Oct	21.45	23.69	10
August	23.36	31.21 @	34
September	17.75	24.66 @	39
October	13.69	27.57 (p)	101

(p) - provisional      @ - revised



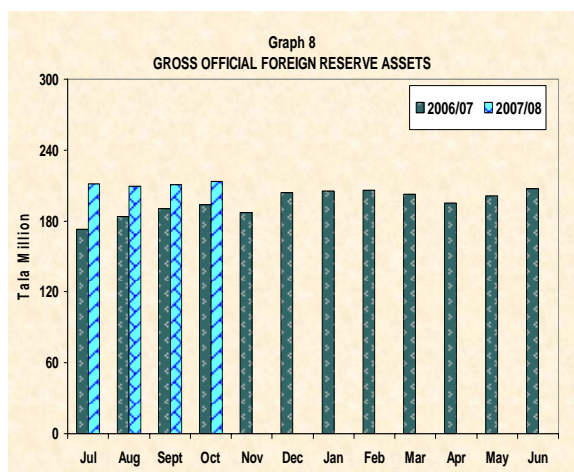
## EXTERNAL ASSETS

### Gross Official Foreign Reserve Assets

Continuing the previous month's expansion, the level of gross official foreign reserves increased 1 percent to \$213.5 million in October 2007. The current level of gross reserves, which reflected a \$2.4 million overall surplus in the balance of payments, was sufficient to cover 4.2 months of imports. This import coverage was higher than the 4.1 months of imports in September 2007 and 3.8 months import cover in October 2006. (See Table 8 and Graph 8.)

Table 8 : Gross Official Foreign Reserve Assets

Period	2006/07	2007/08	% change over prev. year	Import Coverage	
	Tala Mn	Tala Mn		2006/07	2007/08
Annual average to October	186.35	204.68	9.8	-	-
August	183.83	209.71	14.1	3.8	4.0
September	190.34	211.04	10.9	3.9	4.1
October	193.91	213.47	10.1	3.8	4.2



## PRICES

### Headline CPI

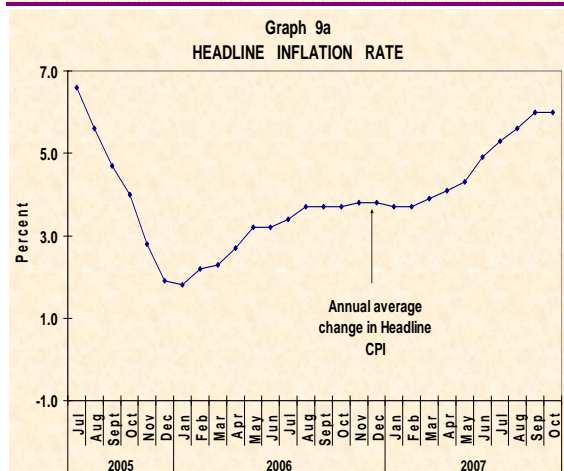
According to the latest CPI report released by the Ministry of Finance, the headline CPI decreased 0.4 percent in October 2007, the second consecutive month of downward trend. This decline in consumer prices slowed down the acceleration of the headline inflation rate, which remained steady at 6.0 percent as in the previous month. At the current level, however, it was still higher than the 3.7 percent inflation rate in October 2006 with some prominent factors (such as the impact of the higher VAGST and excise tax, appreciating New Zealand and Australian dollars and strong demand pressure) over the year being responsible for this difference. (See Graph 9a.)

The lower headline CPI in the month under review reflected a 0.9 percent decrease in the “Food” sub-index (which accounts for 50.3 percent of the overall CPI). This month’s movement was largely due to a 3.1 percent decline in the local food component, which reflected lower prices for agricultural produce such as taro, yam, bananas, pumpkins and tomatoes at the Fugalei Market as well as fresh fish at the Savalalo Fish Market. Also contributing to the lower headline CPI in October 2007 was a 0.2 percent drop in the

“Miscellaneous” sub-group due to lower prices for Colgate toothpaste and fishing hooks. On the other hand, the “Housing and Household Operations” sub-index increased 0.4 percent reflecting higher prices for kerosene and local timber. Both the “Alcohol and Tobacco” and “Clothing and Footwear” sub-groups recorded an increase of 0.2 percent each with the “Transport and Communications” sub-index unchanged from the previous month. The overall import component of the headline CPI went up 0.4 percent in October 2007 consequent of increases in all sub-groups with the exception of the “miscellaneous” sub-index. (See Table 9a.)

Table 9a : Headline Consumer Price Index

Period	2006/07	2007/08	% change over prev. year
Annual average to October	105.0	111.3	6.0
August	105.0	113.0	7.6
September	105.1	112.8	7.3
October	107.5	112.4 (p)	4.6
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> increased 0.5 percent in October 2007. This month’s trend reflected increases of 0.3 percent and 0.8 percent respectively in the import and local

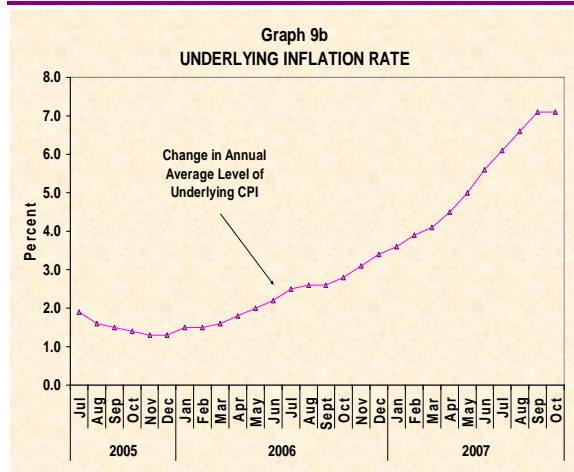
<sup>1</sup> This index permanently excludes from the CPI basket those items whose prices are volatile in nature, which may be due to seasonal factors or climate changes as well as items whose prices are regulated by Government. This index represents approximately 51 percent of the overall headline CPI.

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components, with the “Food”, “Housing and Household Operations” and “Clothing and Footwear” sub-indices recording increased prices. Despite rising in October, the annual underlying inflation rate remained steady at 7.1 percent at end October 2007 indicating the slowdown in the acceleration of the inflation rate in previous months. At this current level, it was more than double the 2.8 percent inflation rate in October 2006 with several factors responsible for this increase over the year, particularly the prevailing robust demand conditions, strong New Zealand and Australian dollars in recent months and the total effect of the higher VAGST. (See Table 9b and Graph 9b.)

**Table 9b : Underlying Consumer Price Index**

Period	2006/07	2007/08	% change over prev. year
Annual average to October	105.3	112.8	7.1
August	105.3	114.0	8.3
September	106.0	114.8	8.3
October	110.1	115.4 (p)	4.8
Base period: March 2004 = 100		(p) - provisional	



## FUGALEI MARKET SURVEY

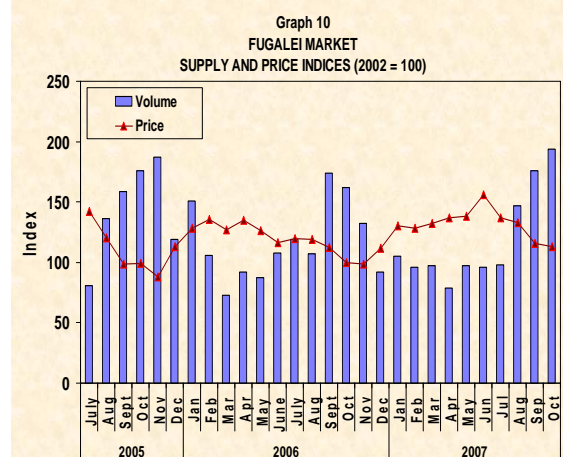
The seasonal supply of agricultural produce to the Fugalei Market continued to increase in October 2007. With an abundance of taro, banana, taro palagi, head cabbage, cucumber and pumpkin, the overall volume of agricultural produce increased 11 percent, pushing the overall price index at the Market down by 2 percent. At this level, however, it was 13 percent higher

than that in October 2006, reflecting the strong demand pressure over the year. (See Table 10 and Graph 10.)

**Table 10 : Fugalei Market Survey**

**Volume and Price Indices (2002=100)\***

Produce	Weights	Volume Index			Price Index		
		Oct-06	Sep-07	Oct-07	Oct-06	Sep-07	Oct-07
Taro	0.31	88	96	121	110	124	114
Banana	0.14	177	233	243	98	120	111
Taro Palagi	0.02	23	17	44	175	160	150
Ta'amu	0.10	185	181	157	110	144	154
Coconut	0.06	69	105	126	155	173	173
Breadfruit	0.01	107	115	30	102	83	121
Yam	0.01	68	93	55	141	154	129
H.Cabbage	0.10	293	206	306	60	55	69
Tomatoes	0.04	208	296	257	63	79	72
Ch.Cabbage	0.03	178	300	242	71	70	82
Cucumber	0.03	244	288	290	81	98	114
Pumpkin	0.15	228	238	270	84	108	98
<b>Total</b>	<b>1.00</b>	<b>162</b>	<b>176</b>	<b>194</b>	<b>100</b>	<b>116</b>	<b>113</b>



## MONEY AND CREDIT

### Money Supply (M2)

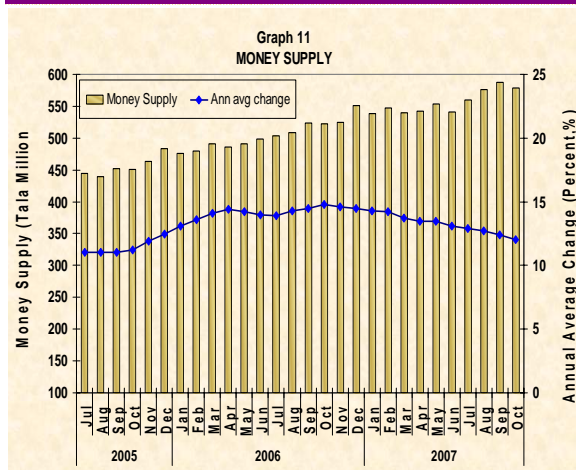
After three consecutive months of monetary expansion, money supply declined 1 percent (\$7.9 million) to \$579.0 million in October 2007. Reflecting this downward trend were decreases in net domestic assets (down by \$6.5 million) and net foreign assets (down \$1.4 million), with the reduction in the former component resulting from increased deficit in “Other items, net”. However, when compared to October last year, the current level of money supply was 11 percent (\$56.5 million) higher, contributing to a 12.0

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percent annual growth rate at end October 2007. This growth rate was lower than the 12.4 percent rate recorded at end September 2007, and was much lower than the 14.8 percent growth rate at end October 2006, an expected trend that was in line with the current tightening monetary policy stance. (See Table 11 and Graph 11.)

**Table 11 : Money Supply (M2)**

Period	2006/07	2007/08	% change
	Tala Mn	Tala Mn	over prev. year
Annual average to October	494.02	553.45	12.0
August	509.08	576.25	13
September	523.25	586.89	12
October	522.45	578.97	11



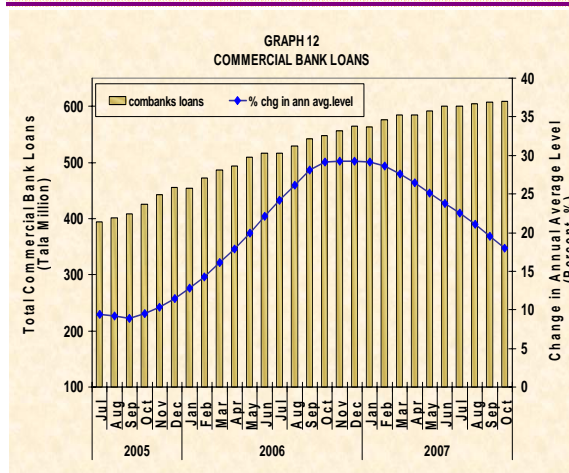
### Bank Credit to the Private Sector

Demand for commercial bank credit eased in October 2007 with total bank loans to the private sector and public institutions rising slightly by 0.1 percent (\$0.5 million) to \$608.5, compared to a \$4.1 million increase in the previous month. A sectoral analysis of the higher bank credit in October showed that the major recipients were the “transport and communications” (up \$9.9 million), “building and construction” (up \$4.8 million) and the “professional and business services” (up \$4.1 million) industries, which more than offset reduced bank claims to “other activities” (down \$9.6 million), “trade” (down \$9.3 million) sectors. This month’s higher level of bank credit to the private sector and public institutions combined was 11 percent higher than in October 2006, contributing

to an 18.0 percent annual credit growth rate at end October 2007. In keeping with the expected trend, the current growth rate was lower than the 19.5 percent rate at end September 2007 and significantly below the 29.1 percent growth rate at end October 2006. (See Table 12 and Graph 12.)

**Table 12 : Commercial Bank Credit to the Private Sector and Public Institutions.**

Period	2006/07	2007/08	% change
	Tala Mn	Tala Mn	over prev. year
Annual average to October	497.30	586.90	18.0
August	529.54	603.94	14
September	541.71	608.06	12
October	547.78	608.53	11



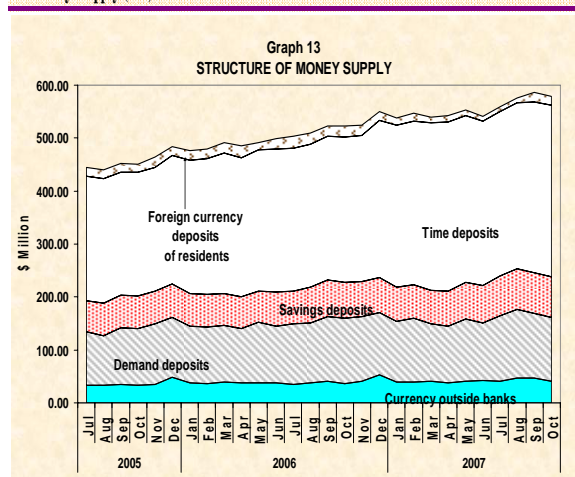
### Structure of Money Supply

The monetary contraction in October 2007 reflected decreases of \$6.7 million and \$1.2 million respectively in narrow money (M1) and quasi-money. The lower level of narrow money was underpinned by a \$6.0 million reduction in currency outside banks and a \$0.7 million drop in demand deposits. Quasi-money, on the other hand, decreased on account of foreign currency deposits of residents (down \$2.6 million) and savings deposits (down \$1.0 million), which more than offset a \$2.4 million increase in time deposits. In the event, there were minor changes in the composition of M2 in the month under review. While the share of time deposits rose 1 percentage point to 56 percent, that of currency outside banks fell 1 percentage point to 7 percent. Other components of money supply, however, maintained their shares from the previous month with demand deposits (at 21

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percent), savings deposits (13 percent) and foreign currency deposits of residents (3 percent). (See Table 13 and Graph 13.)

End Month			% change between		
	October	September	October	October	
	2006	2007	2007	October 2007 and...	
1. Money (M1)	159.22	168.32	161.61	1.5	-4.0
Currency outside banks	36.61	47.35	41.32	12.9	-12.7
Demand deposits	122.61	120.97	120.29	-1.9	-0.6
2. Quasi Money	363.23	418.57	417.36	14.9	-0.3
Savings deposits	68.00	77.48	76.50	12.5	-1.3
Time deposits	274.50	321.89	324.25	18.1	0.7
Foreign currency deposits of residents	20.73	19.20	16.61	-19.9	-13.5
3. Money Supply (M2)	522.45	586.89	578.97	10.8	-1.3



## INTEREST RATES

The official interest rate rose 1 basis point to 4.49 percent in October 2007 reflecting a huge shift of investment towards the very short-term CBS securities. Largely issued during the month were 14-day papers (at a higher yield of 4.20 percent from 4.19 percent in September 2007) and 28-day papers (at 4.30 percent from 4.23 percent in the previous month).

On market rates, the commercial banks' weighted average deposit rates continued to respond to the tightened monetary policy stance, rising 3 basis points to 6.55 percent. On the other hand, lending rates fell 1 basis point to 12.63 percent, consequently resulting in the commercial banks' interest

rate spread<sup>2</sup> narrowing 4 basis points to 6.08 percent in October 2007. (See Table 14 and Graph 14.)

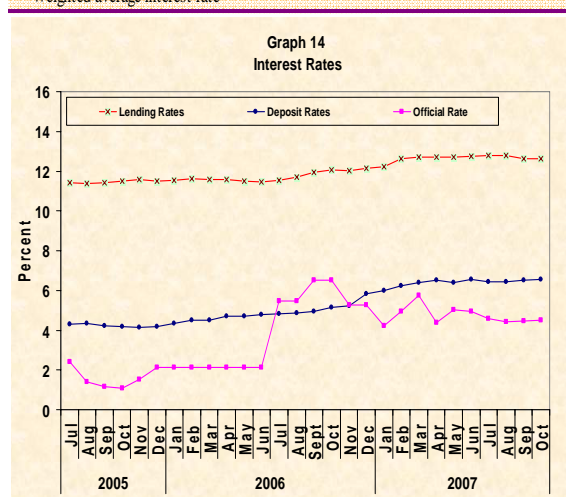
	Oct-06	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07
Average Lending Rate *	12.05	12.76	12.80	12.77	12.64	12.63
Average Deposit Rate *	5.16	6.54	6.42	6.43	6.52	6.55
Interest Rate Spread	6.89	6.22	6.38	6.34	6.12	6.08

	Oct-06	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07
Overall rate	6.50	4.94	4.60	4.43	4.48	4.49
14-Day	-	4.30	4.30	4.33	4.19	4.20
28-Day	-	5.65	5.33	4.50	4.23	4.30
56-Day	-	6.00	5.00	6.00	5.95	5.90
91-Day	6.80	6.00	-	-	-	-
182-Day	-	-	-	-	-	-
365-Day	-	-	-	-	-	-

\* Commercial Banks weighted average interest rates

\*\* Weighted average interest rate



## EXCHANGE RATES

The US dollar continued to weaken against all the major currencies in the Samoan exchange rate basket in October 2007. A flurry of weak data on the US economy, disappointing US consumer confidence, rising oil prices and a further reduction in the US Federal Reserve Funds rate (by 25 basis points to 4.50 percent) as well as continued speculation of further interest rate cuts all contributed to the greenback's

<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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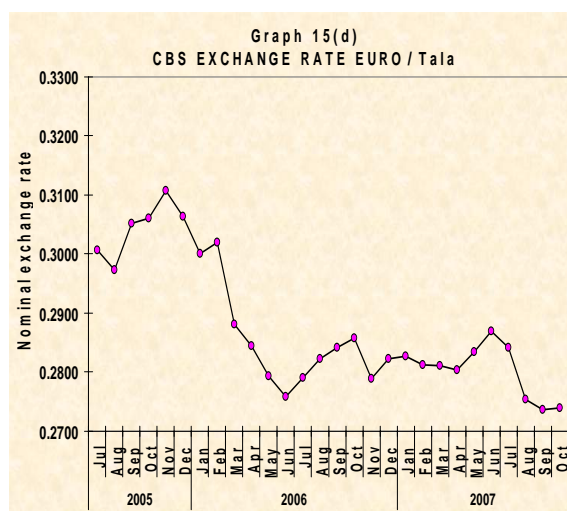
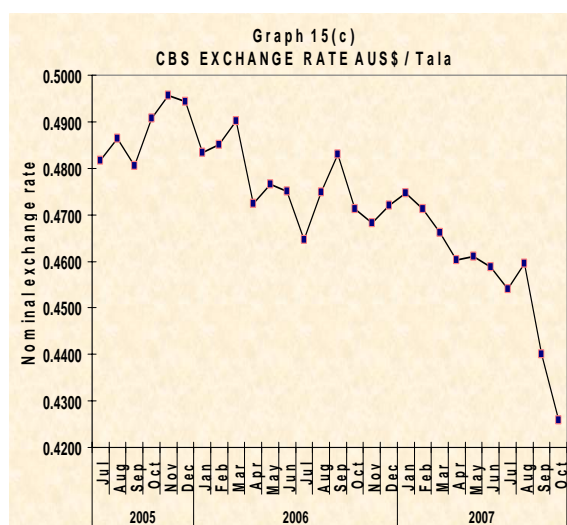
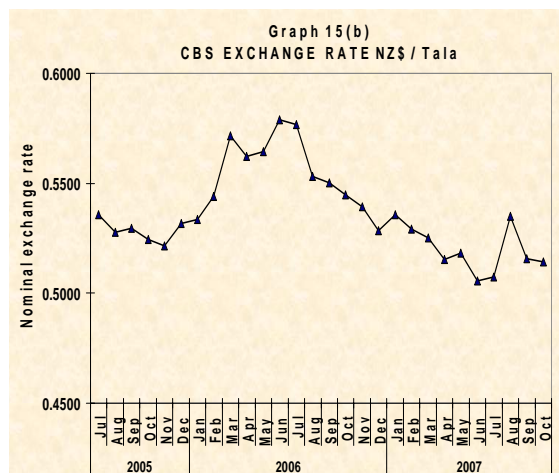
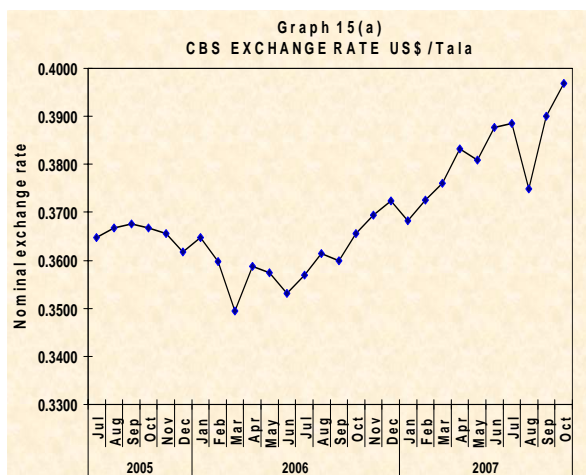
decline in the month under review. In the event, the Tala strengthened against the US dollar (up 1.7 percent), Japanese Yen (up 2.5 percent) and the European Euro (up 0.1 percent) but weakened against the New Zealand dollar (down 0.3 percent), Australian dollar (down 3.2 percent) and the Fijian dollar (down 1.8 percent). (See Table 15 and Graph 15 (a-f).)

**Table 15: CBS Exchange Rates**

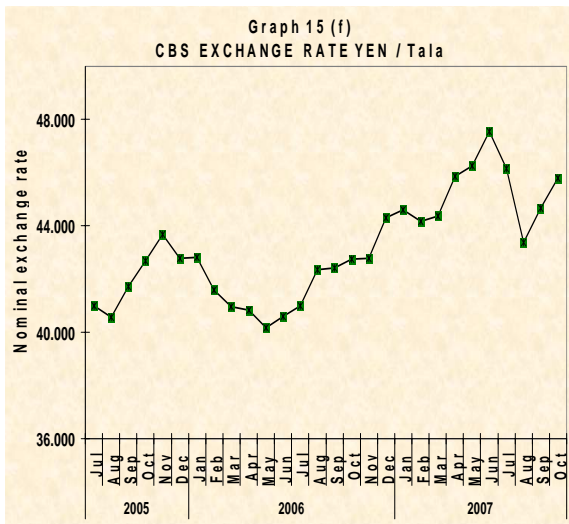
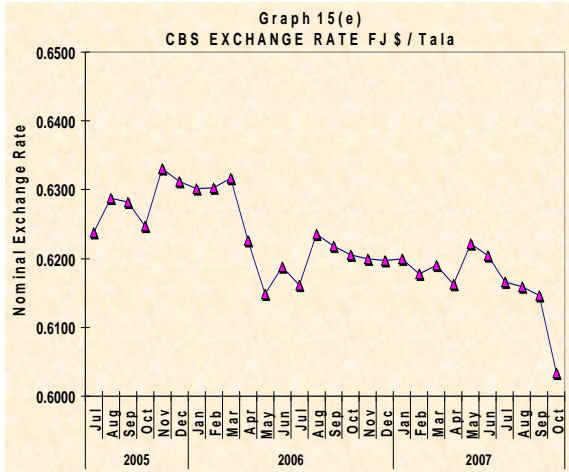
(Foreign Currency per Tala : End month midrates)

	% Appreciation(+)/Depreciation(-) of Tala between October 2007 and .....				
	October 2006	September 2007	October 2007	October 2006	September 2007
USD	0.3656	0.3901	0.3968	8.53	1.72
NZD	0.5447	0.5159	0.5142	-5.60	-0.33
AUD	0.4713	0.4401	0.4259	-9.63	-3.23
EURO	0.2858	0.2737	0.2740	-4.13	0.11
FJD	0.6205	0.6146	0.6034	-2.76	-1.82
YEN	42.7384	44.6760	45.7991	7.16	2.51

Consequently, the overall nominal value of the Tala appreciated 0.33 percent in October 2007.



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**CENTRAL BANK OF SAMOA  
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