

# **PRESS RELEASE**

## **FOREIGN TRADE AND TOURISM EARNINGS** **APRIL 2008**

### **OVERVIEW:**

*The two major indicators in Samoa's current account recorded mixed outcomes in April 2008. On the merchandise trade balance, increased export revenues and lower import payments resulted in a lower trade deficit during the month. Tourism revenue, on the other hand, decreased reflecting a seasonal reduction in average tourist expenditures. On the international scene, global commodity prices remained generally higher although some food prices have receded a little.*

### **EXPORT EARNINGS INCREASED**

Total export receipts improved from the previous month, increasing 67 percent (or \$861 thousand) to \$2.2 million in April 2008. Increased earnings from fresh fish, nonu juice, coconut cream and beer contributed to this month's higher level as well as first time shipments for drinking nuts and taamu exports in the first ten months of 2007/2008. On the downside were the absence of coconut oil, cigarettes and handicrafts from the export scene after some export consignments in March 2008. Lower proceeds were recorded for other export commodities (such as coconuts, re-exports and soft drinks). And, when compared to April 2007, the current level was 16 percent higher, which contributed to a 19 percent increase in total export revenue in the first ten months of 2007/2008.

### **IMPORTS FELL**

After a significant increase in the previous month, the total value of imports in the month under review dropped 21 percent (\$10.5 million) to \$39.9 million. Mainly responsible for the lower imports in April was the absence in petroleum imports as well as a \$0.6 million drop in Government imports, which more than offset a \$6.9 million increase in non-petroleum imports of the private sector. This month's lower imports contributed to a 2 percent (\$12.6 million) drop in total import payments in the ten months ending April 2008.

### **THE MERCHANDISE TRADE DEFICIT DECREASED**

Consequent to higher export revenues and lower import payments in April 2008, the merchandise trade deficit contracted 23 percent (\$11.4 million) to \$37.7 million, a level that was nevertheless 5 percent (\$1.8 million) higher than in April 2007.

## **INTERNATIONAL COMMODITY PRICES SOARED HIGHER**

After months of sustained price increases, a few food commodities offered some respite in the month under review. In particular, food commodities in the export sector (such as cocoa, coconut oil, copra and banana) as well as in the import side (wheat) posted lower prices in April 2008, although their current levels remained significantly above those of a year ago. Rice prices, on the other hand, continued to reach astronomical levels, nearly doubling that of March 2008 and more than tripled its levels of the past three years. This worrying trend reflected the continued insecurity about food supplies meeting global demand with major exporters of rice in the Asian region maintaining their export restrictions to meet domestic needs first. Similarly, prices for other commodities particularly fertilizers, base metals and timber maintained their upward trend.

## **CRUDE OIL PRICES HIT NEW HIGH**

Driven by concerns about supply disruptions and the falling value of the US dollar, oil prices skyrocketed to a new high in April 2008. With the Brent crude oil hitting a new peak of USD\$114.86 per barrel during the month, the average crude oil spot price in April 2008 increased a further 7 percent to USD\$108.76 a barrel, a gain of more than 67 percent in the last twelve months. These spiraling prices in the international markets passed-through to the local market as reflected by the local cost of \$2.87 per litre for unleaded petrol (a level that rose 9 percent in the last four months and 23 percent since April 2007). With the prevailing instability in the oil markets, OPEC has warned that oil prices could reach USD\$200 a barrel, a sentiment that was echoed by Mr Argun Murti, a Goldman Sachs energy strategist who correctly predicted three years ago – when oil was about USD\$55 a barrel – that it would pass USD\$100. This dire warning is expected by media commentators to eventuate within the next six months to two years time.

## **SEASONAL DROP IN TOURISM EARNINGS**

Despite this month's 8 percent jump in tourist arrivals, tourism revenue decreased 18 percent (\$38 million) to \$16.6 million, pulled down by a seasonal 24 percent drop in average tourist expenditure. However, when compared to April 2007, tourism earnings in the month under review was moderately higher (by \$0.06 million), which contributed to a 7 percent growth in proceeds from the tourism sector in the first ten months of 2007/2008, which totaled \$226.1 million.

The higher tourist arrivals in the month under review reflected increases in all categories of tourists to Samoa with the largest influx being those who arrived for 'other purposes' (up 59 percent). This was particularly for the Oceania Olympic Qualifying Tournament for Boxing that was hosted in late April, attracting many amateur boxers from around the Oceania region. In comparison, smaller rises were recorded for those on "business trips" (up 8 percent), "holiday" (up 3 percent) as well as those "visiting friends and relatives" (up 1 percent).

## **CENTRAL BANK OF SAMOA**

**10<sup>th</sup> June 2008**