

PRESS RELEASE

FOREIGN TRADE AND TOURISM EARNINGS **AUGUST 2008**

OVERVIEW:

The major economic indicators in Samoa's international current account recorded favorable results in August 2008. In particular, the merchandise trade deficit narrowed reflecting decreased import payments and higher export revenues during the month. Likewise, tourism revenue increased on account of a seasonal increase in average expenditure more than offset a 17 percent drop in tourist arrivals. The levels of commodity prices in the global markets were also encouraging.

EXPORT EARNINGS INCREASED

Total export revenues rose 9 percent (\$0.2 million) to \$2.7 million in August 2008, following increases in export proceeds from beer, re-exports, nonu juice, taro, nonu fruit, Samoan cocoa, handicrafts, drinking nuts and coconuts. A second consignment of pure coconut oil in 2008 by the Samoan Women in Business Inc (WBDI) organization destined for the United Kingdom was also registered in the month after its absence from the export scene in July 2008. At the current level, however, total export earnings were 22 percent lower than in August 2007. And, in the first two months of 2008/09, total export revenues were 31 percent lower at \$5.3 million compared to \$7.6 million in the same period of 2007/08.

IMPORTS DROPPED

After increasing in the previous month, total import payments fell 3 percent (\$1.8 million) to \$61.9 million in August 2008, to be 1 percent higher than a year ago. The lower imports figure in the month under review was driven entirely by a \$2.7 million decrease in petroleum imports, offsetting increases in non-petroleum imports of the private sector (up \$0.5 million) and Government imports (up \$0.4 million). In the first two months of 2008/09, total imports of \$125.6 million were however 8 percent higher than the corresponding period of 2007/08, consequent to higher petroleum imports over the year.

THE MERCHANDISE TRADE DEFICIT DECREASED

Reflecting the higher export revenues and lower import payments during the month, the merchandise trade deficit narrowed 3 percent (\$2.0 million) to \$59.2 million. At this current level, however, it was 3 percent higher than in August 2007. In the two months ending August 2008, the total merchandise trade deficit also increased 10 percent from its level of the same period in 2007.

INTERNATIONAL COMMODITY PRICES OFFERED SOME RESPITE TO CONSUMERS

Most food prices decreased in August 2008, driven mainly by the recent appreciation of the US dollar and market fundamentals. In particular, lower prices were recorded for some agricultural food (such as coconut oil, copra and cocoa) and meat prices (lamb and beef). Another commodity of significance to local consumers was rice, which registered a lower price level in the month under review following a recovery in its supply to the global markets due to the harvesting of new crops. Despite these lower prices from July 2008, the effects of fundamental forces behind the price surge earlier in the year are likely to keep prices higher than its average levels of previous years, in the absence of a sharp downturn in the world economy. Prices for base metals and fertilizers, on the other hand, continued to trend higher with timber prices dropping slightly from the previous month.

CRUDE OIL PRICES DROPPED

After reaching a record high of USD\$147 per barrel in the previous month, crude oil prices at major oil ports in the UK and USA decreased substantially below USD\$120 per barrel. This downward trend was driven primarily by the stronger US dollar, fears of a slowdown in the global economy as concerns remained over the state of the US economy and speculations by market traders that OPEC could increase supplies. As a result, the average spot price of crude oil dropped 14 percent to USD\$114.57 per barrel in August 2008, from its high of USD\$132.83 per barrel in July 2008. And, when converted into Samoan Tala, the average spot price of crude oil was 10 percent lower at \$1.89 per litre in the month under review. Nevertheless, due to a month lag in local prices, the average cost per litre of unleaded petrol increased to \$3.52 per litre, 3 percent above that of July 2008 and 40 percent higher than in August 2007.

SEASONAL INCREASE IN TOURISM REVENUE

Tourist arrivals recorded a seasonal decrease of 17 percent from July 2008, reaching 10,682 persons in August 2008. When compared to August 2007, however, tourist arrivals registered an underlying increase of 4 percent over the year to August 2008, after excluding the huge influx of athletes and sports officials for the South Pacific Games last year. In spite of the lower arrivals in the month under review, a seasonal 29 percent increase in average expenditure propelled tourism earnings up by 7 percent to \$24.5 million. At this level, revenue from tourism was 15 percent below the SPG impacted figures for August 2007. In the first two months of 2008/09, total tourism proceeds of \$47.4 million were 5 percent higher than in the corresponding period of 2007/08 due to the substantial increase in arrivals in July 2008 and a real increase in average expenditure.

The lower number of tourists in August 2008 reflected decreases in those arriving for 'business' (down 44 percent), 'visiting friends and relatives' (down 22 percent) and 'other purposes' (down 71 percent), which offset a 9 percent increase in travellers coming here for 'holidays'. After a year of being classified under the 'other purposes' category, those arriving for 'sports' were once again reclassified back to its own category as of August 2008, with 163 people recorded. Decreased arrivals were

recorded for all tourist markets (New Zealand, Australia, Europe, USA, American Samoa and 'other countries').

CENTRAL BANK OF SAMOA

14th October 2008