

PRESS RELEASE

FOREIGN TRADE AND TOURISM EARNINGS IN DECEMBER 2008

OVERVIEW:

The major economic indicators in Samoa's international current account recorded mixed results in December 2008. The merchandise trade deficit was higher than the previous month reflecting higher import payments and lower export revenues. Tourism revenue, on the other hand, recorded a seasonal increase while prices of internationally traded commodities went in different directions.

COMMODITY PRICES MIXED AS GLOBAL DEMAND WEAKENED

As the world economy takes a turn for the worse, global demand for internationally traded commodities continued to abate, reducing further most commodity prices in December 2008. Of particular significance was the continued drop in the prices of food commodities such as rice, wheat and meat, an encouraging trend in so far as Samoa's inflationary outlook is concerned. On the other hand, export commodities such as cocoa, coconut oil and copra recorded higher prices in the month under review, some relief for the export industry.

CRUDE OIL PRICE RECORDED ANOTHER HUGE MONTHLY DROP

In December 2008, OPEC met to reach an agreement to slash production by 2.2 million barrels a day. This news, however, failed to deter international crude oil prices from falling further. In fact, the average spot price of oil fell a further 23 percent in December 2008 to USD\$41.34 per barrel, more than USD\$100 lower than its peak in July 2008 and also slightly lower than the 2004 average price level (of USD \$41.60 per barrel). This month's decreased international price translated to further reductions in the local fuel market with the average cost per litre of unleaded petrol falling 18 percent to \$2.39 per litre, a level that was 9 percent lower than in December 2007. As world consumer demand continues to slump, oil prices are likely to stay at their current depressed levels.

SEASONAL INCREASE IN TOURISM REVENUE

Pre-arranged travels, particularly for family reunions and other special family occasions during the end-of-year festive season obscured the downturn in international travel permeating from the current financial crises. Following seasonal trends, tourist arrivals increased 86 percent to 16,632 in December 2008, just above that for December 2007 (by 0.3 percent). This positive outcome for the tourism sector reflected increased travellers from American Samoa, Australia, New Zealand and 'other' countries, which more than offset reductions in those from Europe and USA. On the other hand, the seasonal reduction in tourists who normally stay in upmarket holiday resorts and hotels accounted mainly for a 12 percent reduction in average tourist expenditure in the month under review. Nevertheless, total tourism revenue, of \$41.7 million in December 2008, was 63 percent higher than tourism proceeds for November 2008 and 17 percent above that of December 2007. For the first six months of 2008/2009, tourism revenue was 13 percent higher than in the SPG-impacted first half of 2007/2008.

The increased number of tourists in December 2008 reflected a significantly higher number of those arriving for 'holidays' and to 'visit friends and relatives', which more than offset decreases in travellers coming for 'business' (down 53 percent), 'other purposes' (down 25 percent) and 'sports' (down 22 percent). By country, there was a huge influx of tourists from Australia, New Zealand, and American Samoa with a 16 percent rise recorded in those from 'Other countries'.

IMPORTS EDGE UP

Import payments recorded a 1 percent (\$0.6 million) increase to \$59.8 million, partly reflecting some one-off imported items by the private sector. The higher value of imports in December 2008 was driven mainly by 'other imports' of the private sector, which increased \$4.4 million on account of increased imports of electric generating sets for the EPC valued at \$1.8 million and food products for wholesale companies (particularly frozen food and daily products from USA and New Zealand), construction materials and motor vehicles (mainly from Japan, China and Korea). Partially offsetting these increases was a \$1.6 million decline in petroleum imports, reflecting to a certain extent, receding oil prices in the international markets. Government imports, likewise, were lower by \$2.2 million in the month under review. When compared to December 2007, this month's total level of imports was 39 percent higher.

SEASONAL DROP IN EXPORT EARNINGS

The total value of exports plunged 44 percent (\$1.4 million) to \$1.8 million in December 2008, following significant reductions in fresh fish, taro, re-exports, and Samoan cocoa. These decreases more than offset increases in coconut cream, beer, nonu juice and desiccated coconut, with the latter recording its second shipment to New Zealand following its resumption in the previous month. When compared to December 2007, the current level of export revenue was 37 percent lower. In the six months ending December 2008, total export earnings were 30 percent lower than in the same period of 2007.

THE MERCHANDISE TRADE DEFICIT INCREASED

Following historical trends, the merchandise trade deficit continued to fluctuate from month to month. After declining in November 2008, the merchandise trade deficit increased in December 2008 by 4 percent (\$2.0 million) to \$58.0 million, reflecting the lower level of export revenues and significantly high import payments. At this current level, it was 45 percent larger than in December 2007. And, in the first six months of 2008/2009, total merchandise trade deficit increased 25 percent from the level for the same period in 2007/2008.

CENTRAL BANK OF SAMOA
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