

PRESS RELEASE

FOREIGN TRADE AND TOURISM EARNINGS **JANUARY 2008**

OVERVIEW:

The major economic indicators in Samoa's current account posted unfavorable outcomes in January 2008, after seasonal positive performances in the previous month. The merchandise trade deficit increased due to rising import payments and lower export earnings while tourism revenue recorded a seasonal decline. Contributing factors to the trend in this month's merchandise trade figures were a general increase in global commodity prices, including that of crude oil, as that market remained volatile.

EXPORT EARNINGS DROPPED

Rough and heavy seas adversely affected the output of Samoa's number one export industry – fish. This combined with a significant reduction in the overseas price for the country's second largest export commodity – nonu. Consequently, total export receipts shrank 53 percent (or \$1.5 million) to \$1.4 million in January 2008 reflecting decreased revenue from fresh fish, nonu juice, beer, re-exports, soft drinks, cigarettes and Samoan cocoa. And, when compared to January 2007, total export earnings in the month under review were 39 percent lower.

IMPORTS ROSE

After falling in December 2007, the total value of imports rebounded 20 percent (\$8.7 million) to \$51.6 million in the month under review, a level that was slightly higher (by \$0.2 million) than that in January 2007. Underpinning the current month's higher import payments were increased petroleum and Government imports, offsetting a drop in non-petroleum imports of the private sector. However, for the first seven months of 2007/08, total imports of \$363.5 million, was 6 percent (\$22.8 million) lower than in the same period of 2006/07, largely due to lower imports of construction materials and motor vehicles.

THE MERCHANDISE TRADE DEFICIT INCREASED

Given the reduction in exports and rise in imports, the merchandise trade balance registered a large deficit in January 2008. The merchandise trade deficit widened 26

percent (or \$10.3 million) to \$50.3 million in January 2008, a level that was also 2 percent (\$1.1 million) higher than that in January 2007.

INTERNATIONAL COMMODITY PRICES REMAINED HIGHER

Global commodity prices continued to climb in January 2008, exerting to some extent varying impacts on Samoa's merchandise trade balance and inflation. Prices for base metal, fertilizers and timber continued to increase to levels that were significantly higher than their average prices in the past three years, a trend that is particularly alarming for the local construction and agricultural sectors. On foodstuffs, while the price of NZ lamb declined in the month under review, it was still high relative to its average level over the past two years. Likewise, the international prices of other foodstuffs (such as copra, cocoa, coconut oil, banana, rice, beef, sugar and wheat) leapt to levels that significantly exceeded their average prices in the past three years. Based on the latest trends in the world market, the prospects for the coconut industry in Samoa is positive, particularly for the production of coconut oil as global demand for bio fuel intensifies.

CRUDE OIL PRICES WENT UP

The average spot price of crude oil rose 1 percent to USD\$90.69 per barrel in January 2008, following continuing conflicts in major oil supplying countries in the Middle East and Africa, the weakening US dollar as well as the release of a report by the Energy Information Administration (USA) showing the lowest weekly level of oil stock in the United States in the first week of January. Regardless of this month's outcome, the outlook for crude oil prices throughout 2008 is for a gradual easing in prices as world demand is expected to moderate along with surplus capacity and prospects for increased oil production particularly by non-OPEC countries.

TOURISM EARNINGS DECLINED

In line with seasonal trends, tourist arrivals declined 46 percent in January 2008 to 8,888 after a huge seasonal influx during the end-of-year holidays and festivities in the previous month. And, despite an 18 percent increase in average tourist expenditure, tourism revenue in the month under review shrank 37 percent (\$14.3 million) to \$24.7 million, a level that was nevertheless 11 percent (\$2.5 million) higher than earnings in January 2007.

Largely contributing to the decrease in tourist numbers in the month under review was a significant reduction in those 'visiting friends and relatives' (down 52 percent to 4,655), people who were here on 'holiday' (which fell 47 percent to 3,082) and those arriving for 'other purposes' (down 12 percent to 573). Partially offsetting these declines was an increased number of people arriving on 'business' trips (up 39 percent to 578).

CENTRAL BANK OF SAMOA

5th March 2008