

PRESS RELEASE

FOREIGN TRADE AND TOURISM EARNINGS **JUNE 2008**

OVERVIEW:

Samoa's international current account recorded mixed results in June 2008. In particular, the merchandise trade balance deteriorated; with increased exports revenues outweighed by a rise in import payments. Tourism revenue increased reflecting a seasonal rebound in tourist arrivals and average expenditures in June 2008. Internationally, global commodity prices continued to climb whilst the financial and banking woes affected the various markets.

EXPORT EARNINGS INCREASED

Total export proceeds rose 56 percent (or \$1.1 million) to \$3.1 million in June 2008 reflecting a surge in earnings from fresh fish, nonu juice, taro, soft drink, handicrafts, drinking nuts, coconuts and Samoan cocoa, which far outweighed declines in proceeds from coconut cream, beer and nonu fruit. There was a recovery in coconut oil recording its third shipment in the first twelve months of 2007/2008. The outlook for the coconut oil industry is optimistic following the establishment of business relationships between local and foreign coconut oil interests. Total export earnings in the month under review were, however, 33 percent (\$1.5 million) lower than in the same month last year. Nevertheless, for the twelve months to end June 2008, total export earnings improved 2 percent to \$31.9 million (when compared to the same period last year).

IMPORTS REBOUNDED

The total value of imports rebounded 18 percent (\$8.2 million) to \$54.0 million in June 2008, mainly reflecting a substantial increase (of \$4.0 million) in petroleum products to \$17.0 million. Other private sector imports (up 1 percent) and Government imports (up fifteen times) increased to \$32.8 million and \$4.2 million in June 2008. When compared to June 2007, however, total import payments were 6 percent lower, and the total for the twelve months to end June 2008 dropped 4 percent.

THE MERCHANDISE TRADE DEFICIT INCREASED

The merchandise trade deficit widened 16 percent (or \$7.1 million) to \$50.9 million in June 2008; a level that was, however, 4 percent (\$2.1 million) below the level in June 2007. The expansion in the trade deficit in the month under review was due to a substantial increase in imports which outweighed an improvement in export revenues. For fiscal year 2007/08 as a whole, the overall trade deficit dropped 4 percent to \$561.5 million, easing the pressure on the balance of payments.

INTERNATIONAL COMMODITY PRICES SOARED

Commodity prices reached record levels in June 2008, following the increasing treatment of commodities as financial assets by market speculators. This development was further highlighted by the mayhem in the US banking sector and growing fears of a US recession, which pushed investor money into commodity markets and placing demand on commodities as a safe haven against the sliding US dollar. Food prices, in particular, scaled to new highs as these financial developments combined with severe drought conditions in producing countries, increasing use of farm land for other purposes as well as growing population. Foodstuffs such as cocoa, copra, coconut oil, beef, chicken and wheat were all traded at higher prices, a development that had different impacts on Samoa's export and import sector. Likewise, other commodities such as base metal, fertilizers and timber all recorded increased prices in June 2008.

CRUDE OIL PRICES CONTINUED TO SKYROCKET

Strong demand by investors for oil as a refuge against the weakening US dollar saw the average spot price for crude oil increase 7 percent to USD\$131.52 per barrel. These spiralling prices in the international markets passed-through to the local market as reflected by the local cost of \$3.15 per litre for unleaded petrol, a level that was 24 percent higher than in June 2007. This new record high reflected the increasing presence of market speculators in the international oil markets with rising demand of this nature not having any effect on OPEC's decision to keep oil supplies unchanged. OPEC believes that the current crude oil price uptrend was more of a financial outcome rather than the consequence of actual demand for a consumable good, which they think does not currently exist.

SEASONAL INCREASE IN TOURISM EARNINGS

Tourism revenue jumped 11 percent (\$2.7 million) to \$26.2 million in June 2008, reflecting a seasonal increase of 9 percent and 2 percent in tourist arrivals (10,562) and average expenditure (\$2.5 million) in June 2008. The higher tourist arrivals in the month under review reflected a 31 percent increase in holiday makers as well as a 2 percent rise in those "visiting friends and relatives". These were partially offset by reductions in those arriving for "business" trips (down 21 percent) and "other purpose" (down 5). Nevertheless, the level of tourism revenue in June 2007 was 5 percent lower than the level in the same month last year. For the 2007/08 fiscal year as a whole, total tourism earnings grew 6 percent over 2006/07 reflecting the strong increase in tourism related prices as well as an increase in tourist arrivals reflecting the South Pacific Games.

The majority of tourists in June 2008 were from New Zealand followed by American Samoa and Australia. Most of these visitors were those 'visiting friends and relatives' and 'holiday makers' followed by 'business trips' and 'other purpose'. The surge in total tourist arrivals largely reflected the influx of visitors for the country's 46th Independence Celebrations at the beginning of the month, the annual church conferences and a number of regional meetings held in Samoa.

CENTRAL BANK OF SAMOA **12th AUGUST 2008**