

# **PRESS RELEASE**

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

### **OVERVIEW:**

*Samoa's current account recorded mixed outcomes in March 2008. In particular, the merchandise trade balance expanded, with increased import payments combining with lower export revenues. Tourism revenue, on the other hand, increased reflecting a seasonal rebound in arrivals in March 2008. Internationally, global commodity prices continued to climb whilst the financial and banking woes affected the various markets.*

### **EXPORT EARNINGS FELL**

Total export proceeds declined 16 percent (or \$251 thousand) to \$1.3 million in March 2008 reflecting lower revenue from nonu juice, beer, re-exports, nonu fruit, vegetables as well as the absence of timber exports after a consignment in the previous month. On a positive note, however, there was a recovery in coconut cream and fish exports with coconut oil recording its second shipment in the first nine months of 2007/2008. The outlook for the coconut oil industry is optimistic following the establishment of a business relationship between the Samoan Women in Business Inc (WBDI) organization and the internationally acclaimed skincare company, The Body Shop. Although export earnings in March 2008 were 19 percent lower than that in March 2007, total export revenue in the first nine months of 2007/2008 was 19 percent higher compared to the same period of 2006/2007.

### **IMPORTS INCREASED**

The total value of imports jumped 27 percent (\$10.7 million) to \$50.4 million in the month under review following increased demand by Government and the private sector. In particular, Government imports rose \$0.6 million with the private sector recording increased imports of petroleum (up \$5.9 million) and 'other imports' (up \$4.2 million). In the first nine months of the current fiscal year, however, total import payments were 3 percent (\$14.7 million) lower compared to the same period of 2006/2007 reflecting reduced imports of construction materials and motor vehicles in the period under review.

### **THE MERCHANDISE TRADE DEFICIT WIDENED**

As a result of the lower export earnings and higher import payments in the month under review, the merchandise trade deficit increased 29 percent (\$10.9 million) to \$49.1 million. This month's deficit was 7 percent (\$3.3 million) larger than that in March 2007.

## **INTERNATIONAL COMMODITY PRICES SOAR HIGHER**

Commodity prices reached record levels in March 2008 following the increasing treatment of commodities as financial assets more than as consumable goods. 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 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 banana, cocoa, copra, coconut oil, beef, chicken, lamb, wheat and rice 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 March 2008.

## **CRUDE OIL PRICES REACHED NEW RECORD LEVEL**

Strong demand by investors for oil as a refuge against the weakening US dollar saw the average spot price for crude oil increase 9 percent to USD\$101.84 per barrel. 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 a consequence of actual demand for a consumable good, which they think does not currently exist.

## **TOURISM EARNINGS INCREASED**

Tourism revenue jumped 15 percent (\$2.6 million) to \$20.3 million in March 2008, reflecting a seasonal increase of 17 percent (to 8,132) in tourist arrivals during the month, which offset a 2 percent drop in average tourist expenditure. This current level of tourism earnings, however, was 3 percent lower than that of March 2007.

The seasonal rebound in tourist arrivals in the month under review reflected increased 'holidaymakers' (up 30 percent to 3,492), those 'visiting friends and relatives' (up 6 percent to 3,184), those on 'business trips' (up 21 percent to 724) and travelers visiting for 'other purposes' (up 12 percent to 732).

## **CENTRAL BANK OF SAMOA**

**29<sup>th</sup> May 2008**