

PRESS RELEASE

FOREIGN TRADE AND TOURISM EARNINGS PERFORMANCE IN NOVEMBER 2008

OVERVIEW:

The continued downward trend in prices of most internationally traded commodities has provided a positive outcome as the world economy slips further into recession. In November 2008, the prices of food and fuel continued to decline while some raw materials recorded small price increases. These declining price trends should ease some of the pressure on imported inflation in 2009.

On merchandise trade, the deficit decreased further in November 2008 due to higher export revenues and lower import payments. Tourism revenue, on the other hand, recorded a seasonal reduction in the month under review but was higher than in November 2007.

GLOBAL RECESSION CONTINUED TO HIT COMMODITY PRICES

As international economic data released in the month under review pointed to a deepening global economic turmoil (with significant weaknesses in the major industrial economies), investors have turned away from the commodity markets, compounding further the expectations of a wider slowdown in global demand. Improved supplies and the strengthening US dollar also contributed to a global upheaval in commodity prices, which is reversing some of the gains made earlier in 2008. This is a comforting development in so far as Samoa's inflation outlook is concerned. On the import side, decreased prices were recorded for key commodities such as rice, wheat, sugar, beef, chicken, lamb, timber and base metals. On the other hand, the prices of export commodities such as cocoa, coconut oil, copra and banana have also recorded large decreases.

CRUDE OIL PRICE SLIPPED BELOW USD\$54 A BARREL IN NOVEMBER

The average spot price of crude oil decreased 26 percent to a 20-month low in November 2008, reaching USD\$53.97 per barrel amid signs of a wider slowdown and expectations of lower energy demand. At this current level, the international price of crude oil was 41 percent lower than a year ago and have since fallen 64 percent from its all-time high of USD\$147.27 a barrel back in July 2008.

While the average spot price of crude oil in December 2008 is not yet available, the latest developments in the international oil markets as at 31st December 2008 showed a further 31 percent decrease to USD\$36.82 a barrel for Brent crude (UK market), while that of the West Texas Intermediate Crude (USA market) recorded a 32 percent drop to USD\$38.91 per barrel. These latest oil prices have fallen to 2004 levels, with further decreases expected in 2009 as world energy demand continues to weaken.

LOWER PETROLEUM IMPORTS DROVE TOTAL VALUE OF IMPORTS DOWN

After a 17 percent reduction in the previous month, the total value of imports in November 2008 fell 2 percent (\$1.2 million) to \$56.0 million. The lower level of imports in the month under review was driven entirely by an \$8.2 million decrease in the value of petroleum imports, which more than offset increases in 'other imports' of the private sector (up \$4.2 million) and Government imports (up \$2.8 million).

HIGHEST EXPORT EARNINGS FOR 2008 RECORDED IN NOVEMBER

Total export revenues rebounded significantly in November 2008 with a 97 percent (\$1.6 million) increase to \$3.2 million reflecting improved proceeds from fresh fish, beer, coconut cream, soft drinks as well as consignments of products that were absent in the previous month such as drinking coconuts and handicrafts. Also contributing to the highest export earnings in 2008 was a \$14 thousand shipment of desiccated coconut, which has made a return to the export scene after an absence of more than two years. These were partially offset by lower earnings from nonu juice, taro, coconuts, vegetables and re-exports, as well as the absence of nonu fruit and coconut oil. When compared to November 2007, the current value of exports was 20 percent higher, which unfortunately was not sufficient to stem a 28 percent reduction to \$12.7 million in total export earnings in the five months ending November 2008 from \$17.7 million in the same period of 2007.

MERCHANDISE TRADE DEFICIT NARROWED FURTHER

Consequent to the higher export revenue and lower imports during the month, the merchandise trade deficit fell 5 percent (\$2.8 million) to \$56.0 million in November 2008, a level that was, however, 18 percent larger than that in November 2007. Nevertheless, when accounting for the first five months of 2008/2009, the merchandise trade deficit increased 21 percent from the corresponding period of 2007/2008.

REMARKABLE OUTCOME FOR TOURISM SECTOR

Despite recording a seasonal reduction of 7 percent from the previous month, the 8,929 tourist arrivals in November 2008 were 2 percent higher than in November 2007 – a notable achievement in view of the worldwide downward trend for tourism on the wake of the current financial crisis. This positive result for the tourism sector over the year reflected increased travellers from Europe, New Zealand and the USA, with those arriving for 'holidays' and 'other purposes' contributing to the higher tourist arrivals figure. And, combined with a 19 percent expansion in average expenditure, tourism earnings in November 2008 were 22 percent (\$4.5 million) higher at \$25.4 million compared to \$20.9 million in November 2007. Consequently, total proceeds from the tourism sector in the first five months of 2008/2009 amounted to \$125.6 million, 10 percent (\$11.5 million) higher than the \$114.0 million for the corresponding period of 2007/2008.

CENTRAL BANK OF SAMOA
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