

2. GROSS DOMESTIC PRODUCT

The Gross Domestic Product is the building blocks for macroeconomic analysis. This measure estimates the country's gross value-added within the domestic economy. Compilation of the estimates uses an industry-value added approach; that is the values of output and input have been estimated separately for each industry, and value-added (gross product) derived as a net measure. For the agriculture and non-monetary sectors estimates have been derived from, inter alia, export data, the Fugalei Market Surveys and benchmark derived from the 2002 Household Income and Expenditure Survey. GDP estimates for Agriculture and Fishing have been revised to incorporate the 1999 Agriculture Census and the 2000 Fishing Survey. Other data sources and benchmarks have included the 1999 Business Activity Survey, and detailed trade statistics provided by the ASYCUDA system as well as employment data from NPF.

Figure 2.1: Quarterly GDP Estimates at Constant and Current Prices (\$ Million)

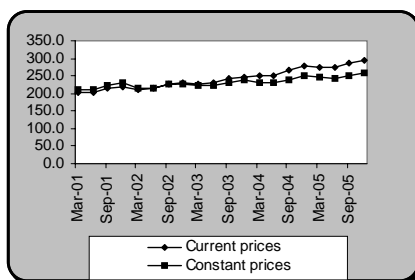
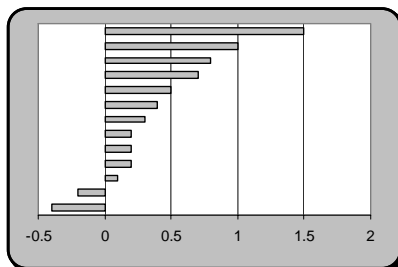


Figure 2.2: Contribution to change in total GDP 2005



Labeled from top to bottom

| | |
|---------------------------------|------|
| Commerce: | 1.5 |
| Agriculture: | 1.0 |
| Construction: | 0.8 |
| Finance and Business services: | 0.7 |
| Public Administration: | 0.5 |
| Transport, Communication: | 0.4 |
| Food & Beverages manufacturing: | 0.3 |
| Electricity and water: | 0.2 |
| Hotels, restaurants: | 0.2 |
| Personal and other services : | 0.2 |
| Ownership of Dwellings: | 0.1 |
| Fishing : | -0.2 |
| Other manufacturing: | -0.4 |

Overview

Following strong economic performances in 2003 and 2004, economic growth in 2005 registered the highest real growth in the last five years of 5.1%. Gross Domestic Product at current market prices for the year was estimated at \$1.13 billion. This was equivalent to a per capita income of \$6,143.

In constant 2002 prices, aggregated real GDP in 2005 was \$999.15 million, an increase of 5.1% over 2004. This followed growth rates of 3.5% and 3.7% in 2003 and 2004 respectively. Monetary Sector production accounted for 87.1% of total production in 2005, growing by 3.6% on the 2004 level. Real output of the Non-Monetary Sector, principally consisting of subsistence agriculture, grew by 3.2% over the 2004 level.

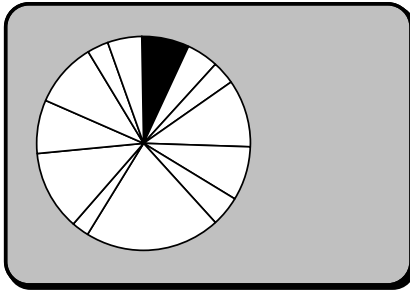
Commerce industry with the largest share of total GDP (20.4%) was also the biggest contributor to the 5.1% growth in 2005, accounting for 1.5 percentage points. The strong growth in commerce was supported through increased money supply with currency circulated outside the banking system increasing from \$30.3 million at end January 2005 to \$48.50 million at end December 2005. Other industries making significant contributions to the 5.1% growth in 2005 were Agriculture, Construction and Finance and Business Services contributing 1.0%, 0.8% and 0.7% respectively. On the downside, Other Manufacturing and Fishing industries contributed negatively to the economy in 2005 with 0.4% and 0.2% respectively (see figure 2.2).

Industry Performance

Primary Sector: Agriculture and Fisheries

Agriculture industry rebounded in 2005 after a downfall in 2004 in which the industry was badly affected by cyclone Heta early in the year. In real terms, agriculture production of \$72.69 million showed a significant increase of 15.1% over 2004. This followed a negative growth of 5.8% in 2004. The strong growth by the industry was translated into a 1.0 percentage point contribution to the overall growth rate in the year. Consistent with the notable performance by the industry, the Fugalei Market survey results recorded an increase

Figure 2.3: Real GDP by industry



Labeled commencing from the shaded area going clockwise

| | |
|-----------------------------------|------|
| Agriculture: | 7.3 |
| Fishing: | 5.1 |
| Food and Beverages manufacturing: | 3.4 |
| Other manufacturing: | 10.5 |
| Construction | 8.2 |
| Electricity and water: | 4.4 |
| Commerce: | 20.4 |
| Hotels, restaurants: | 2.7 |
| Transport, Communication: | 12.3 |
| Public Administration: | 8.4 |
| Finance and business services: | 10.0 |
| Ownership of dwellings: | 3.5 |
| Personal and other services: | 5.3 |

of 34.4% in the average quantity of goods supplied to the market compared to 2004.

Production by the **Fishing** industry with a real value added of \$50.70 million in 2005 had again declined by 3.9% compared to – 7.7% in 2004 and –15.6% in 2003. The continuous decline in the industry was primarily a result of bad weather conditions. Overfishing is also suspected to have had an impact on the decline in the industry. The performance by the fishing industry is disappointing given its considerable role in economic development mainly in terms of foreign exchange earnings rural development.

Secondary Sector: Manufacturing, Construction, Electricity & Water

At constant 2002 prices, value added generated by the **Food and Beverage Manufacturing** industry of \$33.56 million in 2005 had increased by 9.6% compared to the 2004 level. This was a very favorable result compared to real growth rates of 2.2% and 1.0% in 2003 and 2004 respectively. The strong performance by the industry was primarily due to excellent performance by nonu juice whose exports registered an increase of 76.8% in 2005 and also contributions from beer production and others.

Other Manufacturing industry in 2005 generated a total real value added of \$104.59 million, a decline of 3.9% when compared to 2004. The poor performance by the industry followed also a 7.8% decline in 2004. This decline was again due to a slowdown in Yazaki's operations. Yazaki exports recorded in 2005 had declined by 0.6% which more than offset an increase of 6.9% in exports from other entities in the Other Manufacturing industry.

Construction industry continued to show remarkable strength up by 10.7% in 2005 albeit at a lower level than the growth in 2004 of 35.6%. This was expected with the completion of the Aggie Grey's Hotel at Mulifanua, the LDS Temple and the Aquatic Centre in 2005. In constant 2002 prices, the construction industry generated a value added of \$82.24 million, accounting for 8.2% of total real GDP in 2005. The industry is projected to continue to grow strongly in 2006 and 2007 with a lot of construction work still to go for the South Pacific Games in 2007, the Development Bank of Samoa building, the JICA funded Samoa Polytechnic Campus and new fish market and wharfage, a number of major hotel developments being proposed, the ADB funded Sanitation and Drainage project which is expected to begin actual construction in 2006 as well as road rehabilitation works. The projected strong growth in the construction industry is again expected to filter through to other sectors of the economy.

In 2005, the **Electricity and Water** industry generated a value

added of \$44.26 million in real terms, an expansion of 3.9% over the 2004 level and contributed 0.2% to the overall growth in the year. The demand for electricity continued to grow reflecting a gradual change in household behaviour. Increased accessibility to clean water as part of Government's on-going EU-funded rural water supply project also had a positive impact on this industry. Government's commitment to improving the Electricity and Water industry is in line with its vision in the 2005 – 2007 Strategy for the Development of Samoa to "improve the quality of life for all Samoans".

Tertiary Sector: Commerce, Transport & Communication, Finance & Business Services, Personal Services and Hotels & Restaurant

Commerce industry maintained its status as the largest industry accounting for \$203.36 million (or 20.4%) of total real GDP in 2005. Retailing and wholesaling were boosted by other major activities happening in the economy during this period namely in agriculture, construction and tourism industries and was largely financed by the strong growth in remittances (up 19.1%), the general increase in public sector wages and salaries as well as increased private sector credit up by 22.3% over the 2004 level. This translated into an increase of 7.3% over the 2004 level with the largest contribution of 1.5 percentage points to overall GDP growth in 2005. The surge in commerce activities was also in line with an increase of 21.7% in private sector imports.

Transport and Communication industry continued to play a major role in the Samoan economy and was the second largest industry accounting for 12.3% of total real GDP in 2005. Government's commitment to improving the road transport system together with increased demand for land transport utilities for construction and tourism related works had boosted this industry. The increased utilization of modern telecommunication mediums such as cellular phones and the internet also culminated in the 3.1% increase in the industry and contributed 0.4 percentage points to the overall growth in the period. The awarding of a second GSM licence to Digicel to operate a second cellular phone company in Samoa is expected to increase competition and will allow for increased efficiency and lower cost to the consumers. This would enable the introduction of better and more efficient technologies as well as increasing the number of consumers. The increased competition is expected to further boost growth in the industry in the coming years.

Finance and Business Services industry also benefited from increased activities within the economy and as such grew by 7.7% in 2005 and contributed 0.7% to the overall growth in the period. This was evidenced in increased banking and other professional services such as legal and accountancy firms, business and management consultancy services, architectural and engineering

services and many other professional services. The increased number of money transfers and other small financial services also assisted the industry's performance. The continuous success of the industry is indicative of prudent monetary measures put into place as part of government's Financial Sector reforms.

Personal and Other Services industry grew by 3.1% in 2005, accounting for 5.3% of real GDP and contributing 0.2 percentage points to the overall growth in the year. This industry has grown on an annual average rate of 1.4% in the past 5 years.

Hotels and Restaurants industry continued to contribute positively to the economy growing by 6.5% in 2005 after strong growths of 14.2% and 7.5% in 2003 and 2004 respectively and contributed 0.2 percentage points to the overall growth in the year. The industry generated a total real value added of \$27.04 million, equivalent to 2.7% of total GDP. The performance of this industry is viewed with keen interest considering its potential role in employment creation and foreign exchange earnings.

Government Sector

Public Administration is considered the largest employer in Samoa and accounted for 8.4% of total real GDP in 2005. Value added generated by the industry was \$83.91 million in constant 2002 prices, up by 6.4% over the 2004 level and contributed 0.5% to the overall growth in 2005. This was expected with the implementation of the general increase in wages and salaries in the public sector in July 2005.

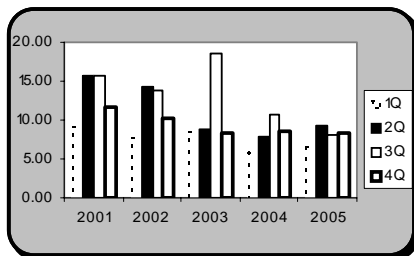
| | 2003 | 2004 | 2005 | 4Q04 | 1Q05 | 2Q05 | 3Q05 | 4Q05 | % Change 4Q05 over | |
|---|---------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------------|-------------|
| At constant 2002 prices | (\$ Million) | | | | | | | | 4Q04 | 3Q05 |
| Agriculture | 67.06 | 63.17 | 72.69 | 19.93 | 17.11 | 17.38 | 18.13 | 20.08 | 0.8 | 10.8 |
| Fishing | 57.18 | 52.78 | 50.70 | 13.33 | 12.70 | 12.64 | 12.54 | 12.82 | -3.8 | 2.2 |
| Food & Beverages Manufacturing | 30.30 | 30.62 | 33.56 | 7.84 | 9.40 | 8.26 | 7.81 | 8.10 | 3.3 | 3.7 |
| Other Manufacturing | 118.03 | 108.83 | 104.59 | 27.64 | 25.08 | 26.13 | 26.63 | 26.75 | -3.2 | 0.5 |
| Construction | 54.80 | 74.32 | 82.24 | 19.74 | 19.36 | 19.46 | 21.19 | 22.23 | 12.6 | 4.9 |
| Electricity and Water | 42.04 | 42.59 | 44.26 | 10.99 | 10.68 | 10.45 | 11.58 | 11.55 | 5.1 | -0.3 |
| Commerce | 178.67 | 189.52 | 203.36 | 49.65 | 51.20 | 49.34 | 50.34 | 52.47 | 5.7 | 4.2 |
| Hotels, Restaurant | 23.62 | 25.39 | 27.04 | 6.69 | 6.34 | 6.52 | 6.96 | 7.22 | 7.9 | 3.7 |
| Transport, Communication | 112.66 | 119.53 | 123.28 | 33.01 | 31.82 | 29.65 | 29.32 | 32.49 | -1.6 | 10.8 |
| Public Administration | 75.01 | 78.89 | 83.91 | 20.21 | 20.31 | 20.75 | 21.20 | 21.65 | 7.1 | 2.1 |
| Finance & Business Services | 85.51 | 92.27 | 99.38 | 24.12 | 24.61 | 24.54 | 25.02 | 25.22 | 4.6 | 0.8 |
| Less: Enterprise share of FISIM | -13.09 | -13.87 | -14.40 | -3.57 | -3.56 | -3.58 | -3.66 | -3.60 | 0.8 | -1.6 |
| Ownership of Dwellings | 33.87 | 34.55 | 35.25 | 8.70 | 8.75 | 8.79 | 8.83 | 8.88 | 2.1 | 0.6 |
| Personal & Other Services | 50.39 | 51.67 | 53.28 | 12.95 | 13.37 | 13.27 | 13.28 | 13.36 | 3.2 | 0.6 |
| Value added 2002 market price | 916.04 | 950.27 | 999.15 | 251.23 | 247.16 | 243.60 | 249.17 | 259.22 | 3.2 | 4.0 |
| Implicit price deflator: | 103.5 | 110.2 | 113.0 | 110.5 | 111.6 | 112.8 | 114.2 | 113.5 | 2.7 | -0.6 |
| Selected measures of production: | | | | | | | | | | |
| At constant 2002 prices | | | | | | | | | | |
| Non-monetary | 125.31 | 123.43 | 129.36 | 33.47 | 31.65 | 31.78 | 32.53 | 33.40 | -0.2 | 2.7 |
| Monetary – total | 790.74 | 826.85 | 869.80 | 217.77 | 215.52 | 211.82 | 216.64 | 225.82 | 3.7 | 4.2 |
| Monetary – restricted scope | 701.71 | 749.15 | 798.05 | 198.53 | 197.61 | 193.94 | 198.50 | 208.00 | 4.8 | 4.8 |
| Memo items: | | | | | | | | | | |
| Nominal GDP (current prices) | 948.16 | 1,047.51 | 1,129.52 | 277.50 | 275.95 | 274.73 | 284.60 | 294.23 | 6.0 | 3.4 |
| GDP per capita | 5353 | 5881 | 6143 | na | na | na | na | na | na | na |
| Source: Ministry of Finance estimates na - not applicable | | | | | | | | | | |

3. FOREIGN TRADE AND BALANCE OF PAYMENTS

3.1 Exports

Exports are sales of primary commodities, manufactured or processed products valued “free on board” (fob).

Figure 3.1: Exports by Quarter Compared Annually (\$ Million)



Export data presented in Table 3.1 show that in 2005, total export earnings were valued at \$32.49 million, down by \$0.64 million from 2004.

The decline reflected decreases in garment exports, fish exports, coconut cream, taro and other exports of \$1.63 million, \$1.94 million, \$0.28 million, \$1.13 million and \$0.22 million respectively. The low level of garment exports was a result of the slow recovery in garment production when the Pacific Cashmere factory was reopened in the beginning of 2005. Reduced fish exports was due primarily to climatic conditions and the weakening of the US dollar which translated into the negative contribution of the fishing industry into the economy (see Section 2). The overall low export level in 2005 was also partly impacted by the weak US dollar with around 79% of our exports going into American Samoa and the United States.

On the upside, persistent efforts by a few entrepreneurs in the private sector has led to continued strong growth in nonu exports. Exports recorded from nonu fruit was up by 4.8% and nonu juice by a massive 76.8% over the 2004 level. Beer also increased by 11.3% (\$0.49 million) compared to 2004, a result of an upward trend in demand from overseas markets.

Exports in 4Q05 valued at \$8.43 million also declined by 2.5% over the 4Q04 level. This drop was seen in all products with the exception of nonu juice and beer exports which had increased by \$1.25 million and \$0.37 million respectively. Compared to 3Q05 however, exports had increased by \$0.35 million. Again beer and nonu juice exports showed remarkable strength increasing by \$0.58 million and \$0.36 million respectively with slight increases in coconut cream of \$0.05 million and Others of \$0.03 million.

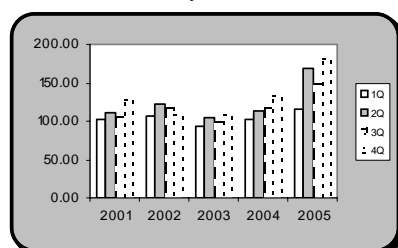
Table 3.1: ANNUAL AND QUARTERLY EXPORT COMMODITIES

| | 2003 | 2004 | 2005 | 4Q04 | 1Q05 | 2Q05 | 3Q05 | 4Q05 | % Share | | | % Change in 4Q05 over | |
|---------------|--------------|--------------|--------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|-----------------------|-------------|
| | (\$ Million) | | | | | | | | 4Q04 | 3Q05 | 4Q05 | 4Q04 | 3Q05 |
| | Fish | 15.76 | 13.52 | 11.58 | 3.61 | 1.24 | 3.63 | 3.54 | 3.17 | 41.7 | 43.8 | 37.6 | -12.2 |
| Coconut cream | 3.01 | 2.56 | 2.28 | 0.57 | 0.67 | 0.74 | 0.41 | 0.46 | 6.6 | 5.1 | 5.5 | -19.3 | 12.2 |
| Nonu fruit | 0.51 | 1.47 | 1.54 | 0.46 | 0.53 | 0.40 | 0.32 | 0.30 | 5.3 | 4.0 | 3.6 | -34.8 | -6.25 |
| Nonu juice | 2.04 | 4.69 | 8.29 | 1.22 | 1.46 | 2.25 | 2.11 | 2.47 | 14.1 | 26.1 | 29.3 | 102.5 | 17.1 |
| Beer | 3.81 | 4.34 | 4.83 | 1.13 | 0.86 | 1.55 | 0.92 | 1.50 | 13.1 | 11.3 | 17.8 | 32.7 | 63.0 |
| Taro | 1.31 | 1.97 | 0.85 | 0.28 | 0.23 | 0.25 | 0.18 | 0.18 | 3.2 | 2.3 | 2.1 | -35.7 | 0.0 |
| Coconut Oil | 1.90 | 0.74 | 1.20 | 0.00 | 1.20 | 0.00 | - | - | - | - | - | - | - |
| Garments | 13.32 | 1.98 | 0.35 | 0.82 | 0.07 | - | 0.20 | 0.09 | 9.5 | 2.5 | 1.1 | -89.0 | -55.0 |
| Others | 0.33 | 0.54 | 0.32 | 0.14 | 0.08 | 0.09 | 0.05 | 0.08 | 1.6 | 0.7 | 0.9 | -42.9 | 60.0 |
| TOTAL | 44.27 | 33.13 | 32.49 | 8.65 | 6.70 | 9.29 | 8.08 | 8.43 | 100.0 | 100.0 | 100.0 | -2.54 | 4.33 |

Source: Central Bank of Samoa

3.2 Imports

Imports are purchases from overseas of commodities, manufactured or processed products valued "cost plus insurance plus freight" (cif) landed in Samoa.

Figure 3.2: Imports by Quarter Compared Annually (\$ Million)

In the twelve months to December 2005, total imports stood at \$607 million, an increase of \$95.70 million or 18.7% over the previous year. This was largely a result of an increase in non-petroleum private sector imports of \$76.07 million. Petroleum imports as well as Government imports also increased by \$16.97 million and \$2.65 million respectively. The high level of imports coming into the country supported the strong growth in 2005 namely on-going for construction works and the commerce industry (see Section 2).

Imports in 4Q05 of \$182.59 million showed an upward trend of \$31.93 million over the corresponding quarter of 2004 and \$34.01 million over the preceding quarter. All the components of imports had increased during these two periods. The latter is the usual boom in business activity during the festive season.

Table 3.2: ANNUAL AND QUARTERLY IMPORT COMPONENTS

| | 2003 | 2004 | 2005 | 4Q04 | 1Q05 | 2Q05 | 3Q05 | 4Q05 | % Share | | | % Change 4Q05 over | |
|----------------------------|-------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|--------------|--------------|--------------------|--------------|
| | (\$ Million) | | | | | | | | 4Q04 | 3Q05 | 4Q05 | 4Q04 | 3Q05 |
| | Government ^a | 7.54 | 1.77 | 4.42 | 0.58 | 0.45 | 2.50 | 0.35 | 1.12 | 0.4 | 0.2 | 0.6 | 93.10 |
| Petroleum | 56.91 | 78.02 | 94.99 | 26.34 | 13.77 | 28.16 | 22.94 | 30.12 | 17.5 | 15.4 | 16.5 | 14.35 | 31.30 |
| Other Product ^b | 342.52 | 431.63 | 507.70 | 123.74 | 93.25 | 137.81 | 125.29 | 151.35 | 82.1 | 84.3 | 82.9 | 22.31 | 20.80 |
| TOTAL | 406.97 | 511.41 | 607.11 | 150.66 | 107.47 | 168.48 | 148.58 | 182.59 | 100.0 | 100.0 | 100.0 | 129.76 | 52.32 |

Source: Central Bank of Samoa

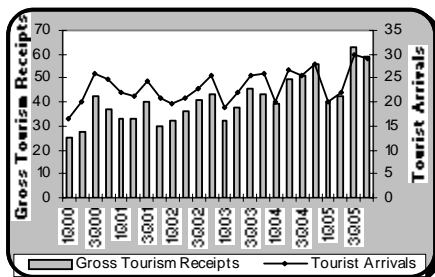
^a Includes equipment for the new Dialysis Unit valued at \$0.19 million in 1Q05 and stationeries for the Ministry of Education valued at \$1.5 million in 2Q05.

^b Includes soft drink concentrate (beverage based) for Samoa Breweries Ltd valued at \$0.5 million, communication cables for Samoa Tel valued at \$0.3 million, life rafts for Samoa Shipping Corporation valued at \$0.3 million, currency notes for Central Bank of Samoa valued at \$0.3 million, cellular phones for Telecom Cellular valued at \$0.2 million, office furniture for Samoa Tel valued at \$0.4 million, power poles for EPC valued at \$0.3 million and building materials for Aggie Grey's Hotel valued at \$0.2 million in 4Q04; and currency notes for the Central Bank of Samoa valued at \$2.7 million, artwork and glass windows for the Mormon Church valued at \$1.1 million, tank (supply into parts) for Samoa Breweries Ltd valued at \$0.5 million and steel bar for Samoa Polytechnic valued at \$0.5 million in 2Q05.

3.3 Tourism Receipts

The number for tourist arrivals represents all visitors including holiday/vacation, official, business/conference, sporting activities and visiting friends and relatives. Gross tourism revenues represent an estimate of the amount spent by all visitors to Samoa whilst in the country and the proportion of international travel credited to Samoan based carriers. Average expenditure per visitor is estimated from visitor surveys adjusted annually for inflation. Tourism receipts are the major component of net service income in the balance of payments. Tourism Earnings are estimated by the Central Bank of Samoa

Figure 3.3: Gross Tourism Receipts (\$ Million) & Tourist Arrivals (*000)



In 2005, total tourism earnings amounted to \$205.95 million, up by 4.4% over 2004. Tourist arrivals had also increased by 2.7% to stand at 101,390 in 2005. The rise in tourism revenue and tourist arrivals was strongly impacted by the opening of the new Mormon Temple and the Aggie Grey's Lagoon, Beach Resort and Spa. The strong growth in the Hotels and Restaurants industry in 2005 (see Section 2) is evident of increased tourist arrivals and tourism revenue during this period.

Tourism earnings in 4Q05 were valued at \$58.97 million, an increase of \$3.22 million over 4Q04. Tourist arrivals also increased by 1,020 to stand at 29,090. When compared to the previous quarter however, tourist arrivals had declined by 3.1% and tourism revenue was also down by 6.1%. The one-off opening of the new Mormon Temple in September 2005 which resulted in the unexpected surge in tourism activity in 3Q05 was largely to blame for this unusual pattern given the busy VFR travel in the last quarter of the year.

Table 3.3: GROSS TOURISM RECEIPTS (\$ Million) AND TOURIST ARRIVALS (*000)

| | 2003 | 2004 | 2005 | 4Q04 | 1Q05 | 2Q05 | 3Q05 | 4Q05 |
|-------------------------------|--------|--------|--------|-------|-------|-------|-------|-------|
| Gross Tourism Revenues | 154.32 | 197.18 | 205.95 | 55.75 | 41.42 | 42.77 | 62.79 | 58.97 |
| Tourist Arrivals | 91.90 | 98.72 | 101.39 | 28.07 | 20.43 | 21.86 | 30.01 | 29.09 |

Source: Central Bank of Samoa, Ministry of Finance & Samoa Tourism Authority estimates

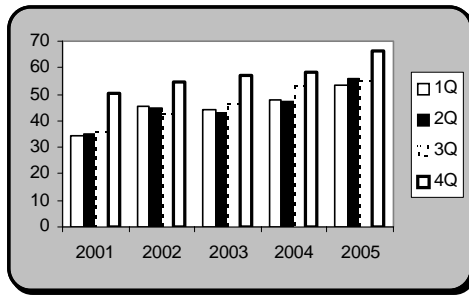
3.4 Remittances

Remittances, officially defined as "unrequited transfers", represent money gifts and other financial donations from non-residents for which no service or return transaction is expected. It should exclude earnings remitted by residents working on short-term contracts overseas (these would be included as "factor income"). Remittances are the primary component of net transfers in the balance of payments.

On an annual basis, remittances were valued at \$248.52 million, \$48.69 million (or 24.4%) above 2004. The continued strong growth in remittances greatly impacted the economy and was largely responsible for strong performance by the commerce industry (see Section 2).

Total remittances recorded for 4Q05 amounted to \$66.52 million, an increase of \$4.52 million (or 7.3%) when compared to

Figure 3.4: Remittances by Quarter Compared Annually (\$ Million)



the corresponding quarter of 2004. Compared to the previous quarter, remittances had increased by \$11.31 million. This reflected the usual high level of family and church faalavelave during the festive season.

The pattern of remittance receipts over the last twenty quarters is illustrated in Figure 3.4 and the recent annual and quarterly data is given in Table 3.4.

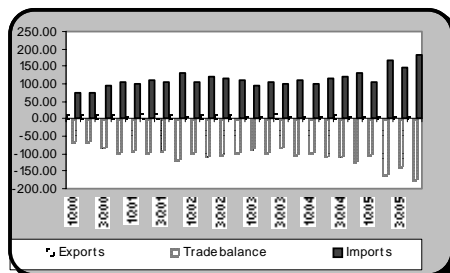
| | 2003 | 2004 | 2005 | 4Q04 | 1Q05 | 2Q05 | 3Q05 | 4Q05 |
|-----------------------------|--------|--------|--------|-------|-------|-------|-------|-------|
| Remittances | 188.20 | 199.83 | 248.52 | 62.00 | 62.36 | 55.58 | 64.06 | 66.52 |
| Remittances as % GDP | 19.9 | 19.2 | 29.7 | 22.5 | 23.0 | 20.2 | 22.1 | 22.61 |

Source: Central Bank of Samoa

3.5 Balance of Payments

Trade balance is the difference in export receipts (fob) and import payments (cif). Balance of payments is the trade balance plus net receipts from services, transfers and capital account flows. The capital account covers receipts and payments relating to aid, loans and private sector investment.

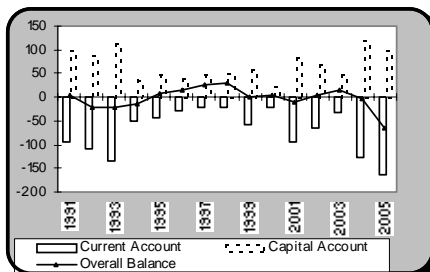
Figure 3.5: Quarterly Trade Balance (\$ Million)



With import payments increasing significantly by \$138.84 million and export revenues decreasing by \$0.64 million, the merchandise **trade balance** worsened in 2005 by 32.1% from a deficit of \$435.14 million in 2004 to a deficit of \$574.62 million in 2005. This was further fueled by the decline in net services of \$5.11 million and despite the increase in net transfers of \$66.14 million the **current account** balance worsened from a deficit of \$84.96 million in 2004 to a \$163.40 million deficit at end December 2005.

The capital account also declined by \$3.46 million in 2005 and resulted in a negative **overall balance of payment** of \$65.39 million in 2005, compared to a positive balance of \$16.51 million in 2004.

Figure 3.6: Annual Overall Balance (\$ Million)



On a quarterly basis, the trade deficit valued at \$174.16 million in 4Q05, expanded by \$32.15 million from the same period of 2004. Compared to the previous quarter, the trade deficit had increased by \$33.66 million. Net services and income estimated at \$49.05 million had increased by \$23.84 million over 4Q04 but declined by \$1.67 million over the preceding quarter. Net transfers of \$65.60 million had declined by \$13.96 million and \$3.02 million over 4Q04 and 3Q05 respectively. This led to a **current account** deficit of \$59.51 million in the reviewing quarter a decline of \$22.27 million over 4Q04 and \$38.35 million over 3Q05.

The **capital account** was estimated at \$21.12 million in the reviewing quarter, a huge decline of \$28.54 million from the comparable 2004 period. This resulted in an overall balance of payments deficit of \$38.39 million in the fourth quarter 2005. Compared to the previous quarter (3Q05), the capital account recorded an increase of \$4.95 million.

A summary of the trade and payments, current and capital account position is given in Table 3.5.

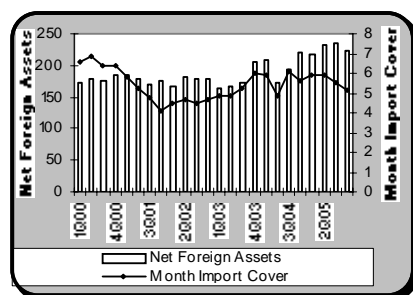
| | 2003 | 2004 | 2005 | 4Q04 | 1Q05 | 2Q05 | 3Q05 | 4Q05 |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| 1. EXPORTS (fob) | 44.26 | 33.13 | 32.50 | 8.65 | 6.70 | 9.29 | 8.08 | 8.43 |
| 2. IMPORTS (cif) | 406.96 | 468.27 | 607.12 | 150.66 | 107.48 | 168.47 | 148.58 | 182.59 |
| 3. TRADE BALANCE | -362.70 | -435.14 | -574.62 | -142.01 | -100.78 | -159.18 | -140.50 | -174.16 |
| 4. NET SERVICES | 167.21 | 139.71 | 134.60 | 25.21 | 13.75 | 21.08 | 50.72 | 49.05 |
| 5. NET TRANSFERS | 190.48 | 210.48 | 276.62 | 79.56 | 60.68 | 81.72 | 68.62 | 65.60 |
| 6. CURRENT ACCOUNT BALANCE | -5.00 | -84.96 | -163.40 | -37.24 | -26.35 | -56.38 | -21.16 | -59.51 |
| 7. CAPITAL ACCOUNT (Net) | 30.35 | 101.47 | 98.01 | 49.66 | 22.87 | 37.85 | 16.17 | 21.12 |
| 8. OVERALL BALANCE* | 25.35 | 16.51 | -65.39 | 12.42 | -3.48 | -18.53 | -4.99 | -38.39 |
| 9. TRADE BALANCE AS % GDP | -38.4 | -45.7 | -50.87 | -51.7 | -37.1 | -65.5 | -55.5 | -59.19 |
| 10. CURRENT ACCOUNT BALANCE AS % GDP | -0.5 | -8.9 | -14.47 | -14.8 | -10.8 | -23.1 | -8.4 | -20.23 |

*Following the shift to the BOP Manual 5, the balance of payments surplus/deficit is now defined as the change in official gross reserve assets excluding commercial bank reserves

4. FOREIGN EXCHANGE RESERVES

Foreign exchange reserves are the country's holdings of foreign currencies and other financial assets. Reserves are held for three primary reasons: i) as national "working capital" to finance the nation's trade; ii) to provide funds to cover a balance of payments deficit; and iii) to provide a cushion against the impact of external shocks. The Central Bank has a monetary policy target of maintaining foreign exchange reserves equivalent to approximately four-months worth of imports.

Figure 4.1: Net Foreign Assets (\$ Million) & Import Cover (Months) by Quarter



On a year on year basis, foreign exchange reserves increased by \$1.11 million to stand at \$221.82 million at end December 2005. This rise was largely supported by an increase of \$7.18 million in Commercial Banks foreign holdings whilst the Ministry of Finance and Central Bank holdings recorded downward trends of \$3.07 million and \$3.00 million respectively.

Over September 2005, foreign exchange reserves were down by \$12.22 million. This decline was a result of decreases in foreign holdings of all banks, the Central Bank and Commercial Banks as well as the Ministry of Finance of \$10.01 million, \$2.11 million and \$0.10 million respectively.

Net foreign assets were sufficient to cover 5.1 months of imports at end December 2005. Import cover at this level was less than at end December 2004 of 5.6 months and the 5.5 months coverage at end September 2005.

| | 2003 | 2004 | 2005 | 4Q04 | 1Q05 | 2Q05 | 3Q05 | 4Q05 |
|---------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Net Foreign Assets | 204.21 | 220.71 | 221.82 | 220.71 | 218.86 | 231.29 | 234.04 | 221.82 |
| Import Cover | 6.0 | 5.6 | 5.1 | 5.6 | 5.9 | 5.9 | 5.5 | 5.1 |

Source: Central Bank of Samoa

5. EXCHANGE RATES

The exchange rate is a key economic price. It represents the price of the SAT against other currencies and reflects the relative prices of traded goods and services in Samoa and overseas. That is the cost/price relationship of our imports and exports and our domestic production. If domestic costs/prices rise relative to those in the international markets then the value of the domestic currency needs to fall to maintain equilibrium. If the domestic currency rises (appreciates) against other currencies then import costs fall and exports become less competitive, if the currency falls in value (depreciates) then import costs rise but exports become more competitive. Samoa maintains a pegged exchange rate regime.

In the year to December 2005, the Tala appreciated against all other foreign currencies and declined in value against the USD (3.2%).

Between end September 2005 and end December 2005, the Tala increased in value against the NZD (0.4%), AUD (2.9%), EURO (0.4%), FJD (0.5%) and the YEN (2.5%) and declined in value against the USD (1.6%).

| | 2004 | 2005 | | | | % Appreciation(+)/Depreciation (-) of TALA between Dec 05 and | |
|-------------|------------|---------|---------|---------|---------|---|--------|
| | Dec | Mar | Jun | Sep | Dec | Dec 04 | Sep 05 |
| | USD | 0.3741 | 0.3722 | 0.3669 | 0.3675 | 0.3618 | -3.3 |
| NZD | 0.5221 | 0.5221 | 0.5288 | 0.5294 | 0.5317 | 2.2 | 0.4 |
| AUD | 0.4799 | 0.4813 | 0.4837 | 0.4805 | 0.4944 | 3.0 | 2.9 |
| EURO | 0.2766 | 0.2871 | 0.3036 | 0.3052 | 0.3064 | 10.8 | 0.4 |
| FJD | 0.6053 | 0.6225 | 0.6265 | 0.6282 | 0.6312 | 4.3 | 0.5 |
| YEN | 38.06 | 39.8961 | 40.5966 | 41.7169 | 42.7753 | 12.4 | 2.5 |

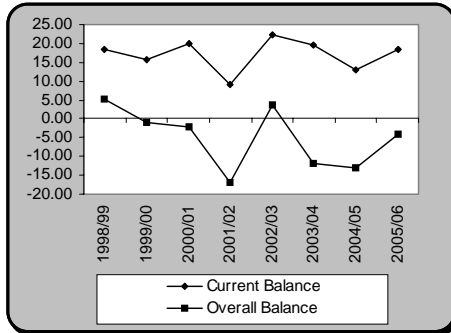
Source: Central Bank of Samoa

6. GOVERNMENT FINANCE

6.1 Government Finance Statistics

The basis for calculating Government Finance Statistics (GFS) is set by the IMF to provide a consistent framework for inter-country comparisons of budget/fiscal performance. GFS data differs from the budget appropriation data primarily as a result of the method of treating: i) departmental enterprise revenue and expenditure, ii) Treasury advances and repayments, for which only net figures are included in GFS; and iii) through the exclusion from GFS data of inter-departmental transfers relating to duty and VAGST on government and aid expenditure. Current balance is the difference in government revenues excluding aid & grants and expenditures excluding grant & loan expenditures.

Figure 6.1: Overall and Current Balance
July-Dec 1998/99-2005/06 (\$ Million)



Overall Performance

Government operations during the first six months of 2005/06 was exceptionally well with an overall deficit of \$4.00 million. At this level the overall deficit was 81.9% lower (or \$18.15 million) than the pro-rata estimate. This was equivalent to 0.7% of GDP, well below the fiscal target of no more than 4.2% of GDP stipulated in the 2005/06 Budget Address. Current balance achieved was a surplus of \$18.56 million, \$11.80 million (or 174.4%) above the pro rata estimate.

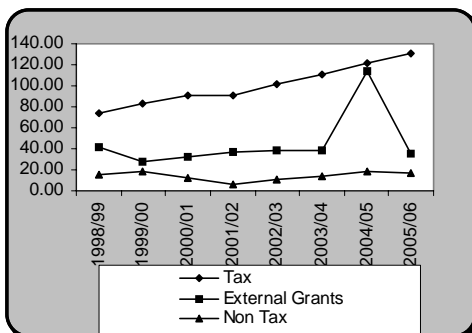
The notable performance in the July-Dec 2005/06 period was primarily due to current expenditures being well retained at a sustainable level and delays in the implementation of some of the loan funded public sector projects. This was further assisted by the \$4.70 million collected in total revenue over pro rata budget estimates.

As shown in Figure 6.1, the fiscal outturn for the period under review had improved from FY 2004/05 for both the overall and current balances. The favourable outturn was a result of considerable measures employed to control expenditures in light of the expansionary budget estimates appropriated in the current financial year.

Revenue

In the first half of the financial year 2005/06, total revenue and grants collected was \$183.75 million of which 80.5% was from tax and non tax revenue and 19.5% was from external grants. The aggregate amount registered a shortfall of 27.5% compared to the same period of the previous financial year but rose by 2.6% relative to pro rata estimates.

Figure 6.2: Revenue by Type, July-Dec 1998/99-2005/06 (\$ Million)



Total revenue collected from July to December 2005 of \$147.84 million had improved by 3.3% compared to the budgeted pro rata estimates. This comprised of \$130.94 million from tax revenue, an increase of 4.9% relative to pro rata estimates. At this level it was also 7.8% more than the collection in the same period of FY 2004/05. The significant level of tax revenue collected was mainly from increased VAGST collected on imports, taxes on international trade and income tax of \$6.53 million, \$1.23 million and \$3.48 million respectively over pro rata estimates. Petroleum levy and terminal fee, stamp duty and income from licenses also supported the high level of tax revenue with increased collection of \$0.49 million, \$0.22 million and \$0.77 million respectively compared to pro rata estimates. The high level of tax revenue collected is in line with the high level of imports coming into the country and the overall strong growth in the economy in 2005.

Non-tax revenue collected in the first six months of FY 2005/06 was \$16.90 million, \$1.40 million (or 7.7%) below pro rata estimates. Cost recoveries and enterprise income were the main attributes to the poor collection, with shortfalls of \$1.28 million and \$0.87 million respectively compared to pro rata estimates.

External grants of \$35.91 million registered in the first half of the current financial year was on par compared to pro rata estimates.

Expenditure

Total Expenditure and ¹Net Lending for the first six months of FY 2005/06 was \$187.75 million. At this level, overall spending was lower than the pro-rata estimate by \$13.46 million. This notable achievement was a combination of well-retained current expenditures and low development expenditures.

Current expenditure from July to December 2005 amounted to \$129.28 million, 5.2% (or \$7.10 million) lower than pro rata estimates. This was a remarkable achievement considering the implementation of the general increase in public sector wages and salaries in July 2005 and other general expenditures. This was a result of prudent measures being put into place to control spending across all Ministries in light of the slightly expansionary budget in the current financial year and with still a number of major government projects in the pipeline.

Development expenditure (external funded expenditure) added up to \$42.39 million from July to December 2005. This comprised of \$35.9 million grant funded and \$6.5 million loan funded projects. Grant funded projects expenditure was on par with budget estimates, and when compared to the same period last year it declined by 68.4%. Loan funded projects when compared to pro-rata estimates recorded a shortfall of \$9.9 million. This was primarily due to delays in the implementation of the Sanitation and Drainage project and other components of the Health Sector and Telecom Sector projects.

Net Lending was above pro rata estimates by 28.7% (or \$3.59 million).

Position with the Financial System

During the first six months of FY 2005/06, government withdrew a \$1.84 million from its resources with the financial sector to assist with the financing of the \$4.0

Figure 6.3: Expenditure by Type, July-Dec 1998/99-2005/06 (\$ Million)

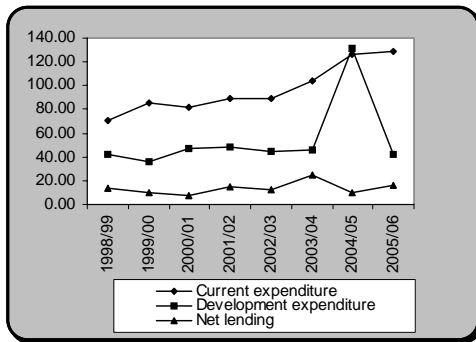
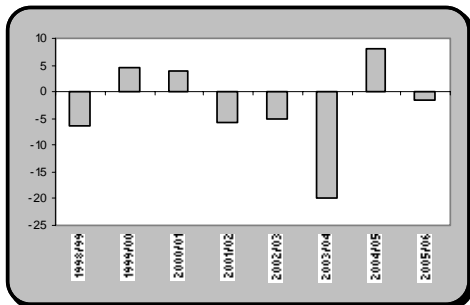


Figure 6.4: Government position with the banking system, July-Dec 1998/99-2005/06 (\$ Million)



¹ Lending minus repayments

million overall deficit. This followed a successful 3 months period (July September 2005) where Government accumulated a \$2.95 million to its financial resources.

Table 6.1: GOVERNMENT FINANCE 2002/03 – Dec 05^a (\$ Million)

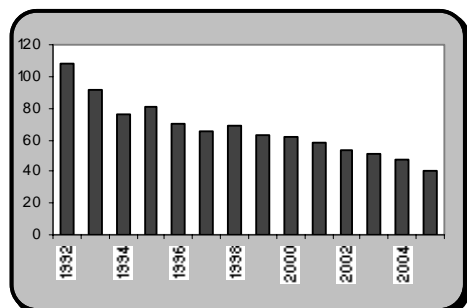
| | Provisional Actual | | | Budget | Provisional | | |
|--------------------------------------|--------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2002/03 | 2003/04 | 2004/05 | 2005/06 | Pro rata | Jul-Dec 04 | Jul-Dec 05 |
| Revenues and Grants | 303.53 | 317.70 | 524.41 | 358.10 | 179.05 | 253.57 | 183.75 |
| Revenues | 229.37 | 246.52 | 283.03 | 286.28 | 143.14 | 139.38 | 147.84 |
| External Grants | 74.17 | 71.16 | 241.38 | 71.82 | 35.91 | 114.19 | 35.91 |
| Expenditure | 309.07 | 326.57 | 521.35 | 402.41 | 201.21 | 266.54 | 187.75 |
| Current ^b | 202.19 | 204.49 | 236.57 | 272.76 | 136.38 | 126.24 | 129.28 |
| Development ^c | 86.89 | 86.62 | 263.77 | 104.67 | 52.34 | 130.94 | 42.39 |
| Other (capital & net lending) | 19.99 | 35.46 | 21.02 | 24.99 | 12.50 | 9.36 | 16.08 |
| Current Balance | 27.17 | 42.03 | 46.46 | 13.53 | 6.77 | 13.14 | 18.56 |
| Overall Balance | -5.54 | -8.88 | 3.06 | -44.31 | -22.16 | -12.97 | -4.00 |
| Financing | | | | | | | |
| Net external borrowing | 4.69 | 0.25 | 15.82 | 19.50 | 9.75 | -0.63 | 2.16 |
| Domestic | 0.85 | 8.63 | 18.88 | 24.81 | 12.41 | 6.69 | 1.84 |
| Overall Balance as % of GDP | -0.6 | -0.9 | 0.28 | -4.1 | 2.05 | -1.1 | -0.7 |
| Total Expenditure as % of GDP | 35.5 | 33.8 | 47.63 | 37.12 | 18.56 | 48.1 | 32.4 |

Source: Ministry of Finance estimates
^{a/} Provisional Actual 2002/03 – 2004/05, Jul-Dec 04, Jul – Dec 05, Oct-Dec 04 and Budget 2005/06
^{b/} Includes domestically financed development plans
^{c/} Financed from external grants and loans

6.2 External Debt

Government's official external debt has been incurred for capital investment and infrastructure development purposes. This is in line with the so-called "Golden Rule" that over the "economic cycle": (i) public sector borrowing should not exceed the level of public investment; and (ii) the public sector debt to GDP ratio should not be allowed to increase in the absence of natural disaster.

Figure 6.5: Official Government Debt as % of GDP



Official government debt outstanding at end December 2005 stood at \$461.59 million, up by \$5.97 million and \$6.93 million over end December 2004 and end September 2005 respectively. This amount is equivalent to approximately 40.7% of GDP.

Multilateral and bilateral loans accounted for 92.5% (\$426.89 million) and 7.52% (\$34.70 million) of disbursed outstanding debt (DOD) respectively.

Total debt servicing was \$4.09 million at end December 2005, up by \$0.17 million and \$0.16 million over end December 2004 and end September 2005 respectively.

Servicing costs as a percent of merchandise exports and total foreign exchange revenues were equivalent to 12.5% and 1.84% respectively.

Table 6.2: EXTERNAL DEBT (\$ Million)

| Year End | 2003 | 2004 | 2005 | 4Q04 | 1Q05 | 2Q05 | 3Q05 | 4Q05 |
|--------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Total External Debt | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a |
| Official Government Debt | 456.10 | 455.62 | 461.59 | 455.62 | 457.18 | 455.65 | 454.66 | 461.59 |
| Official Government Debt as % of GDP | 50.8 | 47.9 | 40.7 | 47.9 | 43.1 | 43.7 | 40.9 | 40.7 |

Source: CBS and Treasury

7. MONEY SUPPLY AND DOMESTIC CREDIT EXPANSION

7.1 Money Supply

The Money Supply (generally known as M2) is defined as:

Currency in circulation + Demand deposits + Savings deposits + Time deposits with the commercial banks.

Growth in money supply is regarded as an indicator of the level of economic activity and can be a lead indicator of likely future inflationary pressures

Figure 7.1: Narrow Money, Quasi Money & Total Money Supply by Quarter (\$ Million)

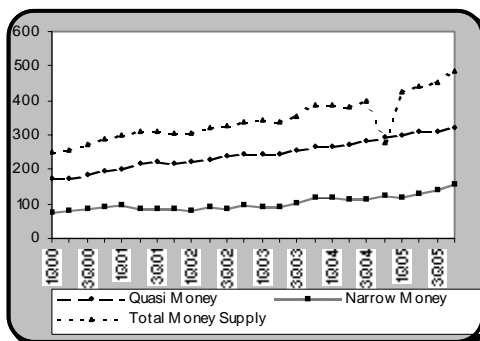
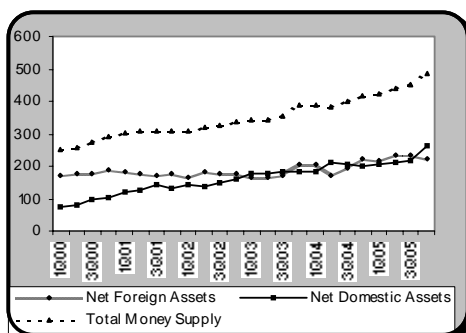


Figure 7.2: Net Foreign Assets, Net Domestic Assets & Total Money Supply by Quarter (\$ Million)



Money Supply

Money supply valued at \$484.01 million at end December 2005, was up by \$65.49 million from end December 2004. This was a result of increases in Narrow money (M1) and Quasi money of \$35.81 million and \$29.68 million respectively. The components of Narrow money (M1), Currencies outside banks and Demand deposits had risen by \$9.56 million and \$26.25 million respectively. The rise in Quasi money was strongly underpinned by an increase of \$12.49 million in Savings deposits followed by Time deposits with a rise of \$10.04 million and Foreign currency deposits of residents which rose by \$7.15 million.

Over the previous quarter, money supply had risen by \$32.13 million. This upward trend was again due to increases in Narrow money and Quasi money of \$19.54 million and \$12.59 million respectively. The two components of Narrow money, Currencies outside banks and Demand Deposits both increased by \$13.31 million and \$6.23 million respectively. The three components of Quasi money, Saving Deposits, Time deposits and foreign currency deposit of residents also all recorded increases of \$2.22 million, \$10.14 million and \$0.28 million respectively.

Net Foreign Assets and Net Domestic Assets

In the twelve months to December 2005, both net foreign assets and net domestic assets had risen by \$1.76 million and \$64.38 million respectively. The rise in net foreign assets was largely due to increase remittances and tourism revenue and the rise in net domestic assets was strongly underpinned by the increase in credit to the private sector.

Over 3Q05, net foreign assets had decreased by \$12.22 million, whilst net domestic assets recorded a significant rise of \$44.35 million.

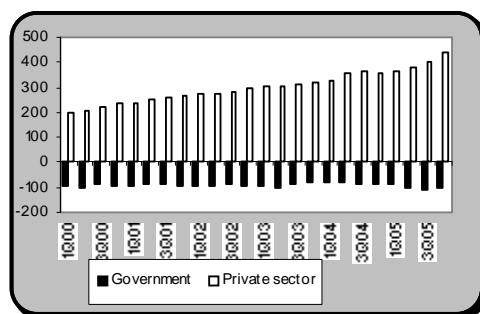
CBS Securities

In line with the slightly tightened monetary conditions during December 2005, the weighted average yields for the 28-days, 56-days, 91-day and 182-day securities declined to 1.00%, 2.00%, 2.50% and 4.00% from 3.16%, 4.16% and 4.87% in December 2004 respectively. There were no 182-days securities issued in December 2005.

7.2 Domestic Credit Expansion

Domestic credit expansion, (or lending by commercial banks) is one of the primary factors in driving money supply and in stimulating private sector growth. It comprises primarily of two components, commercial bank lending to government and to the private sector. Until fiscal year 1999/00, Government has been a net depositor with the banking system whereby domestic credit expansion has focused primarily on the private sector.

Figure 7.3: Government & Private Sector Credit by Quarter (\$ Million)



Total domestic credit outstanding at end 2005 recorded an increase of \$75.55 million over end December 2004. Credit to the private sector had increased by \$80.07 million and government increased its deposits with the banking system by \$9.12 million. Claims on non-financial public enterprises and non-monetary financial institutions also recorded an increase of \$4.60 million.

Compared to end September 2005, the total amount of domestic credit outstanding increased by \$52.17 million. This was underpinned by a rise in credit to the private sector of \$38.67 million and claims on non-financial public enterprises and non-monetary financial institution up by \$3.92 million.

| | 2003 | 2004 | 2005 | 2004 | | | 2005 | | | % Change in Dec 05 over | |
|----------------------------|--------|--------|--------|--------|--------|---------|---------|--------|--------|-------------------------|--|
| | | | | Dec | Mar | Jun | Sep | Dec | Dec 04 | Sep 05 | |
| Net Foreign Assets | 204.21 | 220.06 | 221.82 | 220.06 | 218.86 | 231.29 | 234.04 | 221.82 | 0.80 | -5.22 | |
| Net Domestic Assets | 182.16 | 198.46 | 262.19 | 197.81 | 205.26 | 209.93 | 217.84 | 262.19 | 32.11 | 20.36 | |
| Money Supply (M2) | 386.37 | 418.52 | 484.01 | 418.52 | 424.12 | 441.22 | 451.88 | 484.01 | 15.65 | 7.11 | |
| Money (M1) | 118.21 | 124.93 | 160.74 | 124.93 | 122.30 | 132.79 | 141.20 | 160.74 | 28.66 | 13.84 | |
| Currencies outside banks | 35.73 | 38.94 | 48.50 | 38.94 | 30.89 | 30.74 | 35.19 | 48.50 | 24.55 | 37.82 | |
| Demand deposit | 82.48 | 85.99 | 112.24 | 85.99 | 91.41 | 102.05 | 106.01 | 112.24 | 30.53 | 5.88 | |
| Quasi Money | 268.16 | 293.59 | 323.27 | 293.59 | 301.82 | 308.43 | 310.68 | 323.27 | 10.11 | 4.05 | |
| Savings deposits | 45.56 | 51.48 | 63.97 | 51.48 | 51.14 | 55.82 | 61.75 | 63.97 | 24.26 | 3.60 | |
| Time deposit | 206.99 | 232.35 | 242.39 | 232.35 | 241.72 | 239.48 | 232.25 | 242.39 | 4.32 | 4.37 | |
| FCDR ^a | 15.61 | 9.76 | 16.91 | 9.76 | 8.96 | 13.13 | 16.68 | 16.91 | 73.26 | 1.38 | |
| Domestic Credit | 254.08 | 280.37 | 355.27 | 280.37 | 284.18 | 293.07 | 303.10 | 355.27 | 26.71 | 17.21 | |
| Government (net) | -79.44 | -88.98 | -98.75 | -88.98 | -90.40 | -100.28 | -108.33 | -98.75 | 10.98 | -8.84 | |
| Private sector | 318.47 | 358.74 | 438.81 | 358.74 | 365.02 | 383.04 | 400.14 | 438.81 | 22.32 | 9.66 | |
| Claims ^b | 15.05 | 10.61 | 15.21 | 10.61 | 9.56 | 10.31 | 11.29 | 15.21 | 43.36 | 34.72 | |

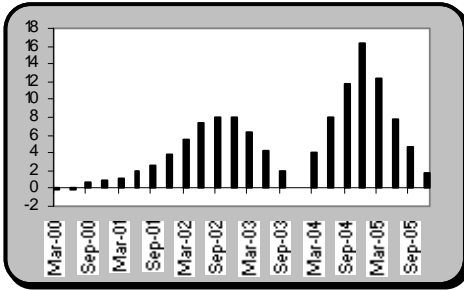
Source: CBS

8. INFLATION

Inflation, as measured by the Consumer Price Index (CPI), provides an indication of the movement in the cost of living, or conversely, the change in the purchasing power of money. The CPI is based on a basket of consumer goods and services and includes both imports (52%) and domestic items (48%).

8.1 Consumer Price Index

Figure 8.1: CPI All Groups Annual Average Rate End Quarter (%)



The annual average rate of inflation at end December 2005 was 1.8 percent, down by 14.5 percentage points from end December 2004. The twelve months moving average for the local component of the CPI had decreased by 32.4 percentage points over this period.

When compared to end September 2005, the annual average rate of inflation had declined by 2.9 percentage points. Imported and local component had also decreased by 0.2 and 4.3 percentage points during this period respectively.

Table 8.1: ANNUAL INFLATION (%)

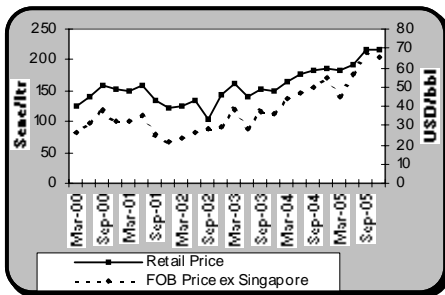
| | 2003 | 2004 | 2005 | 4Q04 | 1Q05 | 2Q05 | 3Q05 | 4Q05 |
|---------------------|------|------|------|------|------|------|------|------|
| All Item Index | 0.1 | 16.3 | 1.8 | 16.3 | 12.4 | 7.8 | 4.7 | 1.8 |
| Imported Good Index | -0.1 | 4.1 | 2.2 | 4.1 | 4.5 | 3.6 | 2.4 | 2.2 |
| Local Good Index | 0.3 | 34.0 | 1.6 | 34.0 | 20.1 | 10.1 | 5.9 | 1.6 |

Source: Ministry of Finance

8.2 Petroleum Prices

Petroleum products considered in the analysis are kerosene, diesel and petrol. Changes in the prices of petroleum products is important as it affects electricity and transportation costs for all sectors of the economy. Local retail prices for petroleum products are derived directly from international market prices without subsidy.

Figure 8.2: End Quarter Petroleum Prices



In December 2005, international prices (US currency) for petrol, kerosene and diesel were 65.23 cents, 69.53 cents and 67.07 cents per litre respectively. Petrol had increased by 10.98 cents, kerosene by 8.64 cents and diesel by 9.86 cents from December 2004. Domestic retail prices at end December 2005 for petrol at 215.2 sene was up 29.4 sene, kerosene at 204.4 sene had increased by 22.7 sene and diesel which stood at 217.8 sene went up by 27.4 sene over December 2004.

When compared to end September 2005, international prices for petrol, kerosene and diesel had recorded decreases of 3.11 cents, 2.34 cents and 1.77 cents respectively.

| Table 8.2: END QUARTERLY PETROLEUM PRICES (retail price in sene/ltr & FOB Price ex Singapore in USD/bbl) | | | | | | | | | | |
|--|-----------------|------------------|---------------|------------------|---------------|------------------|------------------|------------------|-----------------|------------------|
| | 2004 | | 2005 | | | | | | | |
| | December | | March | | June | | September | | December | |
| | Retail | FOB Price | Retail | FOB Price | Retail | FOB Price | Retail | FOB Price | Retail | FOB Price |
| Petrol | 185.8 | 54.25 | 182.0 | 45.03 | 193.2 | 56.22 | 215.7 | 68.34 | 215.2 | 65.23 |
| Kerosene | 181.7 | 60.89 | 168.9 | 50.18 | 196.3 | 65.23 | 205.8 | 71.87 | 204.4 | 69.53 |
| Diesel | 190.4 | 57.21 | 181.5 | 49.29 | 198.9 | 62.76 | 215.4 | 68.84 | 217.8 | 67.07 |

Source: Ministry of Finance