

## **FSM 2013 Trade in Goods Performance: Increased of Deficit and Slowdown of Exports According to Provisional Data Released by the Office of SBOC**

- *SBOC stands for Statistics, Budget & Economic Management, Overseas Development Assistance and Compact Management.*
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### **Increased trade deficit**

After some positive signs in 2012, the FSM trade in goods performance showed a pale face in 2013. According to 2013 provisional international trade statistics released by the Office of SBOC on September 18, 2014, although total imports decreased from \$193.6 million in FY 2012 to \$187.6 in FY 2013, the FSM recorded a higher trade deficit; -\$153 million in 2013, compared with the deficit of \$-141.5 million in 2012 (for FY 2012, imports were \$193.6 million, while exports amounted to \$52.1 million).

The surge in the trade deficit was driven by the massive decrease in exports from \$52.1 million in 2012 to \$34.6 million in 2013, which was attributable to two main factors: firstly an abrupt decline of exports of offshore fish, which accounted for \$23.15 million in 2013 compared with \$44.2 million in 2012 and representing a decrease of 40% of total exports and nearly 48% of exports of offshore fish. Secondly, the trade deficit was attributable to the decrease of export of vegetable products, which went down from \$4.9 million in 2012 to \$4 million in 2013, representing a decrease of 1.7 % of total exports and 18% of export of vegetable products.

The only positive notes with respect to trade in goods for FY 2013 were in two sectors: first the sector of prepared foodstuff, beverages, and tobacco, as its contribution to exports increased from \$308,000 in 2012 to \$351,000 in 2013. The second sector which recorded a positive growth was wood and wood products (Wood products include carved handicrafts), which showed some positive signs. In effect, its contribution to exports increased from \$56,000 in 2012 to \$74,000 in 2013. The increase of exports of wood and wood products as well as prepared foodstuff and beverages, can be attributed to two factors: the first is the slight increase of tourists registered over the past few years, in particular Japanese and Chinese visitors, who are well known for their appetite for handicrafts and related products. The continued increased of exports of prepared foodstuff and beverages is attributable to the attraction that these products continue to exert to the FSM Diaspora in the US and its Territories.

Although the contribution of these two sectors to the total exports remain marginal, their relatively good performance are positive and encouraging signs; and suggest that they constitute “low hanging fruits” that National and State Governments should pay a closer attention with a view to further enhance their contribution to the overall economy. Some of the policy options include providing targeted support to producers engaged in these sectors and attracting sound investors with

marketing experience and knowhow in the sectors of agro processing and handicraft se sectors with a view to modernize these sectors and maximize their potential.

### **Limited export base**

In terms of composition of exports, the main export products were: offshore fish which contributed 78% of total principal exports with a value of \$21.5 Million, betel nuts (12% with a dollar value of \$3.3 Million), reef fish (\$1.3 Million representing 5% of total exports), kava (\$451,000 equivalent to 2% of total exports), cooked food comprising primarily of pounded breadfruit and taro for a value of \$350,000, 1% with a dollar value). In a nutshell, live animals and animal products constitute 84% of total domestic exports with a dollar value of \$23.1 Million, while agriculture products represent 15% of total exports with a value of \$4.0 Million.

### **Mineral products, food and food stuff such as vegetables and animal products continue to dominate the import bill as the two accounted for \$110.7 million representing 60% of total imports.**

The main imported goods in 2013 continue to be mineral products, which accounted for 32% of total imports with a dollar value of \$59.4 Million; followed by prepared foodstuff, beverages and tobacco for value of \$27.4 Million, representing 15% of total imports. Other key imports commodities are: machinery, mechanical and electrical appliances (\$19.0 million, 10% of total imports), vegetable products (\$12.9 million, representing 7% of imports), animals and animal products (\$11.0 million representing approximately 6% of imports), base metals and articles of base metal for a value of \$8.8 million accounting for 5% share of total imports and transportation equipments, estimated at \$8.5 million representing also around 5% of total imports. Overall, it appears that other than mineral products, food and food stuff such as vegetables and animal products continue to dominate the import bill in the FSM as they accounted for \$51.3 million representing 28% of total imports.

In terms of re-export, the main product was Mineral products (mainly fuel).

### **FSM's major source markets in 2013 were:**

1. United States of America (37%) of total imports.
2. Guam (22%)
3. Japan (7%)
4. Australia (6%)
5. Singapore (5%)
6. China (3%)
7. Philippines (3%)
8. Korea (3%)
9. Hong Kong (2%)

Collectively those countries accounted for 88% of the total imports value. Conversely, none of Guam and the USA to a certain extent, none of the above trading partners import from the FSM.

**FSM' Major Export Destinations in 2013:**

1. Thailand where (37%) of FSM exports landed.
2. Taiwan (26%)
3. Guam (9%)
4. Commonwealth of the Northern Mariana Island (4%)
5. United States of America (2%)

Collectively, these countries accounted for 78% of FSM exports.

- ***Source of Data: SBOC, September 18, 2014, Provisional Data.***
- *Analysis done by the Division of Trade and Investment, FSM Department of R&D*