

Forward

The economy of Vanuatu expanded for the fourth year in succession in 2006, with GDP strengthening by an estimated 7.2 per cent. Tourism, which accounted for about 20 per cent of GDP, was one of the leading growth sectors in 2006, with visitor numbers reaching a new record of 68 200 in 2006. The other major contributors to GDP growth were the construction sector which grew by a rapid 15.7 per cent because of several hotels and infrastructure projects, the wholesale and retail sector (up by 12.4 per cent) and the real estate and business services sector (up by 11.2 per cent).

For GDP compilation, data from a wide range of sources were brought together, some collected by the National Statistics Office (NSO) and some were administrative and secondary data from other organizations. For some industries, information is extracted directly from the published accounts of enterprises and information on transactions with rest of world is taken from the Balance of Payments statistics compiled by the Reserve Bank of Vanuatu. However, due to lack of timely data more assumptions had to be made and more use was made of indirect indicators.

The continued assistance given by the private and public sector organizations who supplied primary data to make this publication are very much appreciated.

Cecil Ipalawatte, Technical Advisor, AusAID/Australian Bureau of Statistics, was responsible for overall production and led a team of NSO staff to collect, process and tabulate the GDP estimates for 2006.


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NATIONAL OUTPUT AND EXPENDITURE¹

Overview

Vanuatu's economy grew by an impressive 7.2 per cent in real terms in 2006, recording the highest growth since 1994 followed by a high growth rate of 6.5 per cent in 2005. The expansion was broad-based, with all sectors of the economy registering positive growth. The service sector achieved the highest growth rate of 8.4 per cent and contributed 85 per cent to the overall growth. This growth was underpinned by the healthy expansion in wholesale and retail trade, real estate and business services, hotels and restaurants and finance and insurance. The industry sector grew by 7.0 per cent (7.1 per cent in 2005) and contributed 10 per cent to the overall growth. The construction sector which grew by a rapid 15.7 per cent because of several private sector hotels and

infrastructure projects. The agriculture sector grew by 2.4 per cent and contributed 6 per cent to the economic growth. The performance of the agriculture sector was largely dependent on commodities such as beef, cocoa and coffee.

Gross domestic product at current market prices was estimated at Vatu 45 901 million in 2006, registering a nominal growth of 13.7 per cent. The GDP deflator, which measures the price changes of all goods, produced in the economy, increased by 6.0 per cent in 2006 compared with the rate of 2.8 per cent in 2005. This increase is explained by rising oil prices and demand pressure on prices driven by high credit growth.

The higher expansion in the economy in 2006 was supported by higher consumption and investment demand. The higher growth of private consumption was driven mainly by higher disposable income on account of higher wages and higher profitability of the corporate sector. Government consumption grew by 14.0 per cent mainly to meet increased salaries.

¹ Some components of GDP estimates, particularly within the service sector and construction, include a large proportion of estimation.

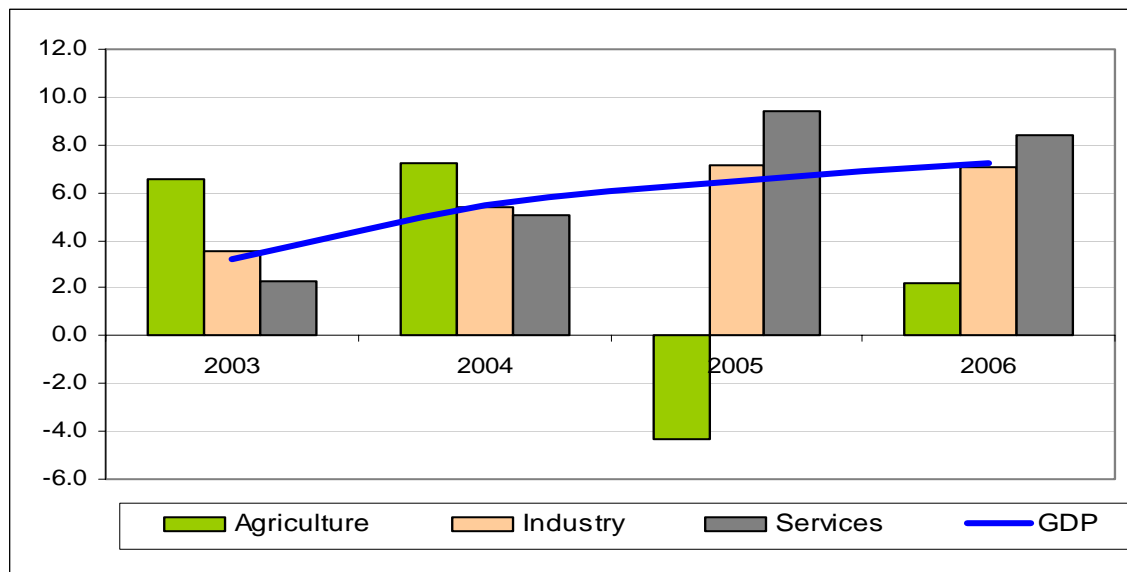
The investment expenditure continued to increase at a higher rate in 2006. Total investment as a ratio of GDP rose from 20.8 per cent to 22.7 percent, mainly due to strong growth in private investment.

The gross national income defined as GDP adjusted for net factor income from abroad grew by 16.3 per cent, a higher rate than GDP growth. The net factor income remained negative due to higher outflows of debt service payments,

and repatriation of profits and dividends.

The GDP per capita for 2006 is estimated at 205 851 VT at current market prices, an increase of 10.8 per cent over the previous year. In US dollar terms, per capita GDP increased by 9.5 per cent to US dollars 1 862, from US dollars 1 701 in 2005.

Figure 1 Annual real GDP growth rates, 2003 - 2006



Source: National Statistics office

Output

Agriculture

The Agriculture, Fishing and Forestry sector recovered significantly and recorded a healthy growth of 2.4 per cent in real value added terms in 2006. The share of the agriculture sector of total GDP was 16.9 per cent. The record coffee and cocoa harvest in 2006, considerable increase in beef, poultry and other livestock production and the strong recovery in fish production contributed to this growth. However, marginal decline in copra production and drop in production of log diminished the potential growth in the sector.

Copra production declined significantly in 2006, registering an 11.0 per cent drop leading to 19 112 metric tons compared with 21 483 metric tons in 2005. Unattractive prices, coupled with inter-island transport difficulties led farmers to produce less copra.

The output of other agricultural crops such as root crops, fruits and vegetables

showed mixed performance in 2006.

The output of kava increased by 47.6 per cent mainly due to higher prices prevailed in 2006. Annual local fish production increased by 11.1 per cent reflecting a strong recovery in this sector.

Industry

During 2006 the industrial sector which includes manufacturing, electricity and water and construction grew by 7.0 per cent (7.1 per cent in 2005). The share of the industry sector of total GDP remained unchanged at 9.7 per cent. The share of the construction sub-sector which is the largest sub-sector increased to 3.8 per cent, while the share of manufacturing declined to 3.5 per cent (3.7 per cent in 2005). In the manufacturing sector, the output of food industries, which accounted for about 50 per cent of manufacturing output, grew by 3.0 per cent in real terms in 2006.

Table 1 Sectoral composition and change in GDP at constant (1983) prices, 2005-2006

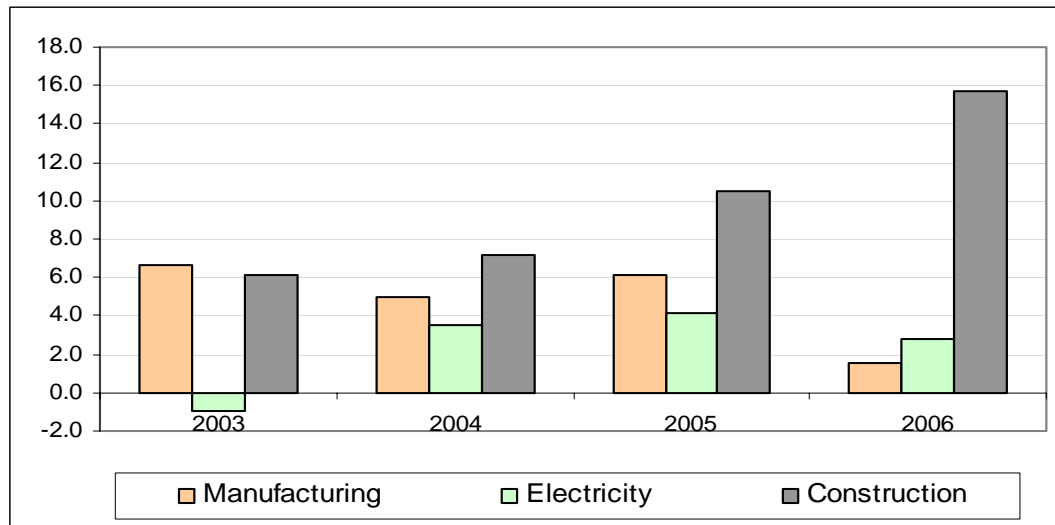
At constant (1983) prices	Rate of change (%)		Contribution to change in GDP (%)		Share of GDP (%)	
	2005	2006	2005	2006	2005	2006
AGRICULTURE, FISHING & FORESTRY	-4.4	2.4	-0.9	0.4	17.7	16.9
Custom/traditional agriculture	2.2	3.1	0.2	0.3	10.2	9.8
Export agriculture	-20.7	6.5	-1.7	0.4	6.1	6.1
Other commercial agriculture	27.7	8.3	0.1	0.0	0.5	0.5
Forestry and logging	118.8	-38.7	0.5	-0.3	0.9	0.5
INDUSTRY	7.1	7.0	0.7	0.7	9.7	9.7
Manufacturing	6.1	1.6	0.2	0.1	3.7	3.5
Electricity	4.1	2.8	0.1	0.1	2.5	2.4
Construction	10.5	15.7	0.4	0.6	3.6	3.8
SERVICES	9.4	8.4	6.7	6.1	72.6	73.4
Wholesale and Retail Trade	11.4	12.4	3.2	3.7	29.7	31.1
Hotels and Restaurants	6.1	11.0	0.3	0.6	5.5	5.7
Transport and Communication	13.8	7.7	1.4	0.9	11.1	11.2
Finance and Insurance	19.6	8.4	1.6	0.8	9.0	9.1
Real Estate and Business Services	9.7	11.2	0.8	0.9	8.1	8.4
Government Services	1.8	0.5	0.2	0.1	12.6	11.8
Personal Services	1.7	6.3	0.0	0.1	0.9	0.9
Domestic Services	4.2	4.2	0.0	0.0	0.9	0.8
GROSS DOMESTIC PRODUCT	6.5	7.2	6.5	7.2	100.0	100.0

Source: Statistics Office

The output of the factory industries which produce wood products increased by 12.0 per cent in 2006. The impetus for growth in wood products arose mainly from the local demand where residential buildings and

other construction activities accelerated in Port Vila and Luganville.

Figure 2 Industry sector, annual growth rates, 2003 - 2006



Source: Statistics office

The electricity and water sector continued to expand during 2006. This sector, which grew by 4.1 per cent in 2005, further expanded by 2.8 per cent during the current year. The demand for electricity grew from domestic, industrial and commercial sectors despite the increase in tariff rates, which were revised upwards twice during the year.

During 2006 the construction sector recorded a growth of 15.7 per cent over a relatively high growth rate of 10.5 per cent in 2005. Tourism related construction work continued to progress during 2006 as well, particularly in terms of housing

projects, but at a higher growth momentum than in 2005. Construction activities related to the development of Secondary School Extension Project phase 2, Tourism and Hospitality Training Project and Australian High Commission Building consumed a significant portion of the construction spending. The expansion in the sector was also reflected in the growth in construction material consumption of both locally produced and imported items. Particularly cement consumption, which is a key indicator in the activity levels of the construction sector continued to grow considerably in

2006 as well (increased by 40.5 per cent).

Services

As in previous years, the growth in the services sector provided the major impetus for growth in 2006. The services sector grew by 8.4 per cent and accounted to a share of 73.4 per cent of the GDP. The continuation of the growth momentum reflected in the sector, has mainly been a response to increasing consumer demand, for services in the country. The continued investment on economic services and infrastructure such as land development and tourism related activities also paved the way for emergence of the services sector as the main contributor of the economic growth.

The wholesale and retail trade sector increased by 12.4 per cent in real terms in 2006, largely due to the improved performance of the import of food and beverages, which grew by 13.1 per cent, recovering from a negative growth in the last year. The acceleration was seen in all three

main import categories, namely, consumer goods, intermediate goods and investment goods. Of consumer goods imports, imports of basic food items, such as rice, frozen chicken wings and wheat flour increased while pharmaceutical products and prepared or preserved canned food dropped. Imports of other consumer goods such as motor spirit, liquefied gas, household goods and fuel grew by 13.0 per cent. Within the investment goods category, imports of building materials increased by 23.2 per cent.

The hotels and restaurants sub-sector recorded a growth of 11.0 per cent with a 9.7 per cent increase in visitor arrivals and a 35.2 per cent increase in day visitors during 2006. The total number of arrivals amounted to 68 179 in 2006 compared to the previous year's total of 62 123.

Within the services sector, transport, storage and communication increased by 7.7 per cent owing largely due to robust expansion in the post and telecommunication services and

sea and coastal transport and cargo handling activities. Telecommunication sub-sector expanded by 8.4 per cent in 2006, benefiting from recent developments in communication, particularly broad bank networks and expansion in coverage with new technology in communication. Other private transport services, including busses and taxis registered 20.4 per cent growth.

Financial and insurance services increased by 8.4 per cent in real terms in 2006. Although lending rates did not increase significantly in 2006, the interest income of the banking sector reported an 11.0 per cent increase

in current terms, reflecting high credit growth. Insurance and other financial services grew by 7.3 per cent with moderate income from satisfactory performance in other financial institutions.

The better performance in real estate and higher activities in certain business services had resulted in expansion of real estate. Real estate, renting and business services increased by 11.2 per cent, reflecting the continuing demand for such services. A large number of companies involved in real estate development reported high turnover for the year 2006.

Figure 3 Services sector, annual growth rates, 2005 - 2006



Source: National Statistics office

Expenditure

The aggregate demand generated by domestic economic activity is measured by gross national expenditure (GNE), which is the sum of consumption and investment expenditure of the private and public sectors of the economy. In 2006, GNE at current market prices was estimated at Vatu 45 962 million, reflecting an increase of 12.3 per cent over 2005. The corresponding increase in domestic demand for 2005 was 5.9 per cent. The higher economic growth as well as higher growth in prices in 2006 stimulated the higher expansion of the GNE. Although both private consumption and government consumption expenditure rose during 2006, the share of consumption expenditure as a percentage of GDP declined to 76.2 per cent (79.8 per cent in 2005) indicating a higher growth in investment activities in the economy.

Consumption

Consumption expenditure which captures both the private

and government sector consumption of the economy has expanded by 8.5 per cent to Vatu 34 976 million during 2006. Private consumption expenditure grew by 6.8 per cent while government final consumption expenditure increased by 13.9 per cent.

With the continued expansion of per capita income, consumption of communication services grew at a higher rate than that of most other goods and services. Food, beverages and tobacco (49.5 per cent), transport and communication (21.6 per cent) and housing, electricity, water, gas and other fuel (10.3 per cent) accounted for more than 80 per cent of household private consumption expenditure in 2006. In contrast the share of education and health expenditure remained significantly low (one per cent and two per cent respectively).

The expansion in government consumption expenditure was due to increased consumption of goods and services as well increased expenditure on salaries and wages. The government wage bill increased by

22.1 per cent due to higher salaries to public sector employees.

In 2006, investment expenditure (gross fixed capital formation) at current market prices was estimated at Vatu 10 412 million, an increase of 23.7 per cent. Imports of construction materials increased by 23.2 per cent while imports of machinery and equipment rose by 31.0 per cent. Higher capital expenditure was evident in the economy with the construction companies registering higher levels of turnover during the year.

Availability and utilisation of resources

The total available resources in the country which consist of GDP (domestic resources) and imports of goods and non-factor services (foreign resources), were estimated at Vatu 72 417 million at current market prices. This was an increase of 11.8 per cent (Vatu 7 658 million) over 2005. Of this increase, Vatu 5 514 million was

domestic resources and Vatu 2 144 was foreign resources. As in the previous year, domestic resources accounted for 63.0 per cent while foreign resources added the balance 37.0 per cent.

Utilisation of resources mainly consisted of consumption, fixed capital formation and exports of goods and non-factor services. In 2006, consumption absorbed 52.8 per cent of resources, with a growth of 8.5 per cent (4.7 per cent in 2005), while fixed capital formation absorbed 16.6 per cent of resources with a growth of 26.7 per cent. Exports of goods and non-factor services grew by 10.6 per cent, while its relative share increased marginally to 30 per cent reflecting a stronger growth rate than in 2005.

Net lending to overseas

The country's gross saving plus net capital transfers from non-residents exceeded its gross capital formation, resulting a significant amount of borrowing from non-residents (Vatu 6 004 million).

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Table 1 GROSS DOMESTIC PRODUCT ACCOUNT

At current prices - Million Vatu

	2001	2002	2003	2004	2005	2006
Compensation of Employees	13 906	13 172	13 475	14 196	14 962	17 073
Gross Operating Surplus	14 744	13 390	15 049	16 459	18 787	21 217
Total Factor Income	28 650	26 562	28 524	30 649	33 749	38 290
Taxes less Subsidies on Production and Imports	5 475	5 395	5 661	6 214	6 638	7 611
GROSS DOMESTIC PRODUCT	34 125	31 957	34 185	36 863	40 387	45 901
Government Final Consumption Expenditure	7 688	7 579	7 412	7 252	7 514	8 562
Household Final Consumption Expenditure	20 345	21 362	22 430	23 552	24 729	26 414
Gross Fixed Capital Formation	6 881	6 763	6 540	7 643	8 414	10 412
Changes in Inventories	- 2	75	95	164	254	573
Gross National Expenditure	34 912	35 779	36 477	38 611	40 911	45 962
Exports of Goods and Services	14 226	14 425	15 303	17 072	18 311	20 254
Less: Imports of Goods and Services	18 671	19 454	20 097	21 631	24 372	26 516
Statistical Discrepancy	3 658	1 207	2 502	2 811	5 537	6 201
GROSS DOMESTIC PRODUCT	34 125	31 957	34 185	36 863	40 387	45 901

Source: National Statistics Office

APPENDIX 1

CONCEPTS, SOURCES AND METHODS OF ESTIMATION

CONCEPTUAL FRAMEWORK

The conceptual framework used to compile the system of national accounts for Vanuatu is essentially that of the *System of National Accounts, 1993* (SNA93), with some adaptations to reflect the situation in an island economy like Vanuatu. In principle, SNA93 cover the entire sequence of accounts and balance sheets. However, in practice, constraints of data availability, time, and resources mean that Vanuatu national accounts are usually less complete than SNA93.

Estimating Vanuatu's national accounts presents a series of problems. The major difficulty is the lack of a full range of detailed statistics that are ideally required to compile national accounts. It is also often difficult to adhere strictly to definitions and standards contained in SNA93.

The national accounts for Vanuatu comprise four main summary accounts - gross domestic product account, national income account, national capital account, and external transactions account - together with supporting tables. At this stage, other elements of the full SNA93 system, such as financial accounts and balance sheets, have not been compiled.

The external transactions account is compiled from the balance of payments statistics published by the Reserve Bank of Vanuatu. From 1996, the balance of

payments have been prepared using recommendations contained in the 5th edition of the IMF *Balance of Payments Manual* (BPM5).

Income and outlay accounts are provided for households and general government. However, not all relevant transactions are included in the household income account. For example, estimates for property income receipts and payments for the household sector have not yet been developed.

Current price estimates for GDP in Vanuatu are compiled using both the production and expenditure approaches. The data sources available for the production approach are more robust than those available for the expenditure approach. Consequently, the official measure of GDP is obtained from the production approach, with a statistical discrepancy being shown on the expenditure side to align the expenditure measure with the production measure.

DATA SOURCES AND ESTIMATION METHODS

GDP BY INDUSTRY

Agriculture, Fishing and Forestry

The value added of this sector is the sum of value added for crops, such as copra, cocoa, kava, coffee, as well as livestock, fishing and forestry. To reflect the landholding structure in Vanuatu, agricultural production is subdivided into custom or traditional agriculture, export agriculture, and other commercial agriculture. Production data on

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agricultural crops, fish, cattle and forestry are obtained from exporters, the Department of Forestry, the Department of Agriculture, and the Department of Fisheries. These data are supplemented by external trade data compiled by the National Statistics Office.

Estimates of production for commercial copra, cocoa and coffee are based on volumes of these commodities received by exporter authorities for exports and local sales, valued at prices paid to the farmers, including transport costs. Cattle production is equal to the change in the cattle herd plus cattle exported live and cattle slaughtered for export or for local consumption. Statistics on the value and quantities of cattle slaughtering are obtained from the commercial abattoirs and exports data are extracted from the overseas trade statistics.

The estimates for kava production are compiled separately for two components. First, the volume of kava exported is valued at the prices paid to farmers, including transport costs. Second, an estimate of production for domestic use is based on information from the 1983 Agricultural Census. Output for domestic consumption is split between domestic sales to Nakamals and home consumption.

Value added for components of custom or traditional agriculture, such as root crops, fruits and vegetables, fishing and poultry is calculated using benchmark data from the 1983 Agricultural Census and the 1989 and 1999 Population Censuses.

Value added for forestry and logging is based on production estimates compiled by the Department of Forestry.

Manufacturing

The main data source for the manufacturing estimates is the annual business survey. However, for the years 2000 to 2006, the current price estimates for manufacturing production are extrapolated using movements derived from VAT sales data collected by the Department of Customs and Inland Revenue.

Electricity, Gas and Water

Value added data are obtained from detailed income and expenditure statements included in the annual reports of UNELCO and the Ministry of Infrastructure and Public Utilities.

Construction

The value of output is calculated using the value of imported building materials and locally available building materials used in construction activities. An imputation is included for own account construction of dwellings in the subsistence sector.

Service Industries

The value added for wholesale trade, retail trade, hotels and restaurants, financial services, insurance services, real estate and business services and other services are estimated using data obtained from the 2001 annual business survey. However, for the

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years 2000 to 2006, the current price estimates for service industries are extrapolated using movements derived from VAT sales data collected by the Department of Customs and Inland Revenue.

The wholesale and retail industry also includes co-operatives and petroleum companies. Separate estimates are compiled for each of these sub-sectors. Data for annual sales, intermediate inputs and other costs are obtained from the annual reports for the respective data sources.

Annual income and expenditure statements from annual reports are also used for compiling estimates for banks, airlines, Vanuatu Post and Telecom.

The value added arising from government services is calculated as the sum of value added for government departments, provincial governments and municipalities, and other agencies within the general government sector.

Estimates for gross operating surplus and value added for both rented and owner-occupied dwellings are included in the real estate and business services industry. Data on rent tax collections provides a useful indicator for estimating gross rent for rented dwellings.

Benchmark data for Nakamals, bus and taxi operators, and handicraft producers were obtained from the 2000 Informal Sector Survey. These data were used to derive estimates for total revenue and gross value added for these industry sectors.

Income generated from domestic services is equal to the estimated expenditures of urban households on domestic help. Benchmark estimates for the number of domestic servants are obtained from the periodic Population Censuses.

EXPENDITURE COMPONENTS OF GDP

Government Final Consumption Expenditure

Vanuatu's government financial statistics provide detailed information on the receipts and recurrent expenditures of the central government. The corresponding data for the provincial governments were made available from the provincial government administration office.

Technical assistance grants provided under bilateral or multilateral arrangements are treated as imports of services from the donor governments or international organizations, following the treatment used in the Balance of Payments (BOP).

Household Final Consumption Expenditure

Household final consumption expenditure is estimated using the commodity flow method. Available supply is estimated by adding together subsistence production, local market production, imports and a trade mark-up. The value of intermediate consumption, exports and government consumption are deducted from this total to derive the household final consumption expenditure.

Gross Fixed Capital Formation

Estimates for annual expenditure on fixed assets are derived from imports and production statistics by the use of the commodity flow approach. The aggregate for construction and land improvements is estimated as the value of output of the construction industry. Estimates for annual expenditure on durable equipment are derived from import statistics.

Changes in Inventories

Changes in inventories are compiled by industry and are derived mainly from data collected in the annual business survey. For construction, a proportion of the imports of building materials each year are assumed to remain in inventories at the end of the year and to be used in construction work the following year. Estimates of changes in inventories for cattle are derived by deducting slaughtering and live exports from estimates of the natural increase in the herd.

Exports and Imports of Goods and Services

Data on merchandise trade are obtained from the detailed overseas trade statistics maintained by the National Statistics Office.

Time series data on non-merchandise exports and imports are available from the Balance of Payments statistics compiled by the Reserve Bank of Vanuatu.

APPENDIX 2

GLOSSARY OF NATIONAL ACCOUNTING TERMS

At Constant (average 1983) Prices

An aggregate at constant (average 1983) prices is the value obtained by applying the base year (1983) prices to the quantities of the goods and services that comprise the aggregate for each period in the time series. Estimates at constant prices reflect real changes, and in practice are obtained either by deflating current price estimates by relevant price indices or by quantity revaluation (i.e. multiplying the quantities of goods and services in each period by the prices in the base year). Implicit Price Deflators (IPDs) reflect changes in prices from the base year, and are derived by dividing current price estimates by the corresponding estimates at average 1983 prices. However, IPDs are not pure measures of price change as they are also affected by changes in the composition of the aggregates over time.

Capital Transfers

Capital transfers are transactions, either in cash or in kind, in which the ownership of an asset (other than cash or inventories) is transferred from one institutional unit to another, or in which cash is transferred to enable the recipient to acquire another asset, or in which the funds realized by the disposal of another asset are transferred. A capital transfer in kind consists of the transfer of ownership of an asset or

cancellation of a liability by a creditor, without any counterpart being received in return.

Changes in Inventories

Changes in inventories consist of changes in: (a) stocks of outputs that are still held by the units that produced them prior to their being further processed, sold, delivered to other units or used in other ways; and (b) stocks of products acquired from other units that are intended to be used for intermediate consumption or for resale without further processing. Changes in inventories may be classified into finished goods, work in progress and raw materials.

Compensation of Employees

Includes the total remuneration, in cash or in kind, payable by enterprises to employees in return for work done by the latter during the accounting period. Compensation of employees comprises wages and salaries, and employer social contributions. Employer social contributions comprise workers' compensation and employers' contributions to superannuation funds.

Current Transfers

Current transfers consist of all transfers that are not transfers of capital. They directly affect the level of disposable income and should influence the consumption of goods and services. Current transfers that take place between residents and non-residents are also referred to as current transfers from/to abroad.

Employer Social Contributions

Employer social contributions comprise workers' compensation and employers' contributions to superannuation funds. In Vanuatu most employers make contributions on behalf of their employees to the Vanuatu National Provident Fund, but some employers make contributions to other superannuation funds.

Exports of Goods and Services

Exports of goods and services consist of sales, or gifts or grants, of goods and services from residents to non-residents. The treatment of exports and imports in the national accounts is generally identical with that in the balance of payments accounts.

Government Final Consumption Expenditure

Government final consumption expenditure consists of expenditures, including imputed expenditure, incurred by general government (national and local government) on both individual consumption of goods and services and collective consumption of services. It comprises expenditure on compensation of employees (other than those charged to capital works), and goods and services (other than fixed assets). Fees charged by the government for goods and services rendered are offset against purchases.

Gross Domestic Product (GDP)

GDP is the market value of the final output of goods and services produced by all resident

producers in the country, before any allowance for the consumption of fixed capital. It is also defined as the sum of the gross value added of all the productive sectors of the economy. Gross value added refers to the unduplicated output of industries and it is usually estimated by deducting from total sales or revenue the intermediate costs. Intermediate costs cover payments made for raw materials, supplies and services rendered by others. Gross value added is also equal to the sum of compensation of employees, gross operating surplus earned by domestic producers, and taxes less subsidies on production and imports.

GDP, in other words, is simply the sum total of all factor income generated by resident economic agents for a specific period of time. This income is then used to purchase final goods and services in the market for consumption (household and government) and for investment or capital formation (construction, durable equipment and changes in inventories). That part of output not consumed domestically is exported.

Gross Fixed Capital Formation

Gross fixed capital formation is measured by the total value of a producer's acquisitions, less disposals, of fixed assets during the accounting period. Expenditure on fixed assets is disaggregated into construction and land improvement, and durable equipment. Also included is compensation of employees paid by enterprises in connection with own-account capital formation.

Gross National Expenditure

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Gross national expenditure comprises the sum of final consumption expenditure, for both households and general government, and gross capital formation (gross fixed capital formation plus changes in inventories).

Gross National Income (GNI)

GNI is equal to GDP less net taxes on production and imports less compensation of employees and property income payable to the rest of the world plus the corresponding items receivable from the rest of the world.

Gross Operating Surplus

Gross operating surplus is equal to operating surplus before the deduction of any allowance for the consumption of fixed capital (i.e. depreciation).

Gross Value Added

Gross value added is the value of output less the value of intermediate consumption. It is a measure of the contribution to GDP made by an individual producer, industry or sector.

Household Final Consumption Expenditure

Household final consumption expenditure consists of the expenditure, including imputed expenditure, incurred by resident households on individual consumption goods and services, including those sold at prices that are not economically significant.

Imports of Goods and Services

Imports of goods and services consist of purchases, or receipts of gifts or grants, of goods and services received by residents from non-residents. The treatment of exports and imports in the national accounts is generally identical with that in the balance of payments accounts.

Imputed Expenditure

Some transactions, which are desirable to include in the accounts, do not take place in money terms and so cannot be measured directly; in such cases a conventional value is imputed to the corresponding expenditure.

Informal Sector

The informal sector is broadly characterized as comprising production units that operate on a small scale and at a low level of organization, with little or no division between labour and capital as factors of production, and with the primary objective of generating income and employment for the persons concerned.

Intermediate Consumption

Intermediate consumption consists of the value of the goods and services consumed as inputs by a process of production, excluding fixed assets whose consumption is recorded as consumption of fixed capital.

National Disposable Income

National disposable income may be derived from national income by adding all current transfers in cash or in kind receivable by resident institutional units from non-resident units, and subtracting all current transfers in cash or in kind payable by resident institutional units to non-resident units.

National Saving

Saving is disposable income less final consumption expenditure. National saving may be disaggregated by institutional sector. Separate estimates are shown for personal saving, government saving and corporate saving. Gross disposable income is calculated as gross national income less net current transfers from non-residents.

Net Lending

Net lending is the net amount a unit or sector has available to finance, directly or indirectly, other units or other sectors. It is the balancing item in the capital account. Negative net lending may be described as net borrowing.

Operating Surplus

Operating surplus measures the surplus or deficit accruing from production before taking account of any interest, natural resource rent or similar charges payable on financial or tangible non-produced assets borrowed or rented by the enterprises, or any interest, rent or similar receipts receivable on

financial or tangible non-produced assets owned by the enterprises (for unincorporated enterprises owned by households, this component is called "mixed income").

Property Income

Property income is the income receivable by the owner of a financial asset or a tangible non-produced asset in return for providing funds to, or putting the tangible non-produced asset at the disposal of, another institutional unit. It consists of interest, dividends, reinvested earnings on direct foreign investment and rent.

Residence

An institutional unit is resident in a country when it has a center of economic interest in the economic territory of that country.

Resident households and individuals. All individuals living within the domestic territory of the country except the following: (a) foreign visitors staying in the country for less than one year; (b) crew members of foreign vessels on lay-over; (c) commercial travellers and seasonal workers in the country for less than one year; (d) official, diplomatic and consular representatives and members of the armed forces of a foreign country; and (e) employees of international bodies who are not citizens of the country and are on a mission of less than one year in duration.

Resident industries. Units engaged in production on the domestic territory of the country, including branches of foreign enterprises.

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Resident government bodies. Central and local governments of the country located in its territory, including the country's embassies and consulates abroad. International organizations located in the territory are considered as non-resident.

Statistical Discrepancy

The statistical discrepancy is the difference between GDP estimated using the production and expenditure approaches. It is placed on the expenditure side of the gross domestic product account in recognition of the more robust nature of the data sources used to estimate the production measure of GDP. It is also shown in the national and household income accounts on the disbursements side of these accounts because household final consumption expenditure is regarded as being less firmly based than other items in those accounts.

Subsidies

Subsidies are current unrequited payments that government units, including non-resident government units, make to enterprises on the basis of the level of their production activities or the quantities or value of the goods or services that they produce, sell or import.

Taxes on Production and Imports

Taxes on production and imports consist of taxes payable on goods and services when they are produced, delivered, sold or otherwise disposed of by their producers plus taxes and duties on imports that become payable when goods enter the economic territory or when services are delivered to resident units by non-resident units. Included are import and export duties, VAT, hotel turnover tax, business and professional licenses and other selective taxes on services such as airport taxes.

Wages and Salaries

Wages and salaries consist of wages and salaries in cash and wages and salaries in kind. Wages and salaries comprise all payments to employees (before deducting employees own contributions to the Vanuatu National Provident Fund) covering basic compensation, payments for overtime or standby time, and all allowances for housing, education etc. Also included are holiday and sick pay, gratuities and lump sum payments for holidays or on termination of employment. Fees paid to directors of corporations are also included.

NATIONAL ACCOUNTS OF VANUATU

Table 2 NATIONAL INCOME ACCOUNT

At current prices - Million Vatu

	2001	2002	2003	2004	2005	2006
Compensation of Employees	13 906	13 172	13 475	14 196	14 962	17 073
Gross Operating Surplus	14 744	13 390	15 049	16 459	18 787	21 217
Taxes less Subsidies on Production and Imports	5 475	5 395	5 661	6 214	6 638	7 611
Net Property and Entrepreneurial Income	- 669	-1 604	-1 854	-2 086	-2 842	-2 239
From Non-residents	3 187	3 115	2 960	3 037	3 032	3 521
To Non-residents	3 856	4 715	4 814	5 123	5 874	5 760
GROSS NATIONAL INCOME	33 456	30 353	32 331	34 783	37 545	43 662
Net Current Transfers	1 554	1 488	891	1 609	2 168	2 800
From Non-residents	2 503	2 708	2 099	2 727	2 840	3 355
To Non-residents	949	1 220	1 208	1 119	672	555
GROSS DISPOSABLE INCOME	35 050	31 841	33 222	36 392	39 713	46 462
Government Final Consumption Expenditure	7 688	7 579	7 412	7 252	7 514	8 562
Household Final Consumption Expenditure	20 345	21 362	22 430	23 552	24 729	26 414
Statistical Discrepancy	3 658	1 207	2 502	2 811	5 537	6 201
National Saving	3 319	1 693	877	2 777	1 933	5 285
TOTAL USE OF GROSS DISPOSABLE INCOME	35 050	31 841	33 222	36 392	39 713	46 462

Source: National Statistics Office

NATIONAL ACCOUNTS OF VANUATU

Table 3 NATIONAL CAPITAL ACCOUNT

At current prices - Million Vatu

	2001	2002	2003	2004	2005	2006
National Saving	3 319	1 693	877	2 777	1 933	5 285
Household Saving	-3 020	-2 437	-4 494	-4 456	-6 269	-5 465
Government Saving	75	- 251	- 243	1 055	1 148	1 411
Corporate Saving	6 264	4 380	5 614	6 177	7 053	9 339
Net Capital Transfers from Non-residents	670	- 267	- 473	- 240	- 175	- 303
FINANCE OF GROSS ACCUMULATION	3 989	1 426	404	2 537	1 758	4 982
Gross Fixed Capital Formation	6 881	6 763	6 540	7 643	8 414	10 412
Durable Equipment	3 869	3 756	3 576	4 414	4 732	5 993
Construction and Land Improvement	3 012	3 007	2 964	3 229	3 682	4 419
Own-account Dwellings	191	196	188	196	207	217
Other Construction and Land Improvement	2 821	2 811	2 776	3 033	3 475	4 203
Changes in Inventories	- 2	75	95	164	254	573
Net Lending to Non-residents	-2 890	-5 412	-6 231	-5 270	-6 910	-6 004
GROSS ACCUMULATION	3 989	1 426	404	2 537	1 758	4 982

Source: National Statistics Office

NATIONAL ACCOUNTS OF VANUATU

Table 4 EXTERNAL TRANSACTIONS ACCOUNT

At current prices - Million Vatu

	2001	2002	2003	2004	2005	2006
Exports of Goods and Services	14 226	14 425	15 303	17 072	18 311	20 254
Domestic Merchandise Exports	2 467	2 132	2 597	3 390	2 949	2 708
Re-exports	593	661	652	874	1 217	1 458
Other Goods and Services	11 166	11 632	12 054	12 808	14 145	16 088
Income from Non-residents						
Compensation of Employees	466	562	480	543	549	544
Property Income	2 721	2 553	2 480	2 494	2 483	2 977
Current Transfers from Non-residents	2 503	2 708	2 099	2 727	2 840	3 355
To General Government	2 375	2 228	1 803	2 380	2 308	2 493
To Households	128	480	296	347	532	862
Capital Transfers from Non-residents	2 460	1 481	1 275	1 408	1 479	1 361
RESOURCES PROVIDED TO NON-RESIDENTS	22 376	21 729	21 637	24 244	25 662	28 491
Imports of Goods and Services	18 671	19 454	20 097	21 631	24 372	26 516
Imports for Home Consumption	9 263	10 216	10 496	11 744	13 486	15 448
Imports for Re-exports	477	165	111	199	137	113
Freight and Insurance	1 925	2 052	2 096	2 361	2 692	3 075
Other Goods and Services	7 006	7 021	7 394	7 327	8 057	7 880
Income to Non-residents						
Compensation of Employees	315	278	312	313	308	324
Property Income	3 541	4 441	4 502	4 810	5 566	5 436
Current Transfers to Non-residents	949	1 220	1 208	1 119	672	555
From General Government	8	10	0	73	148	51
From Households	941	1 210	1 208	1 046	524	504
Capital Transfers to Non-residents	1 790	1 748	1 748	1 648	1 654	1 664
Net Lending to Non-residents	-2 890	-5 412	-6 231	-5 270	-6 910	-6 004
RESOURCES PROVIDED BY NON-RESIDENTS	22 376	21 729	21 637	24 244	25 662	28 491

Source: National Statistics Office

NATIONAL ACCOUNTS OF VANUATU

Table 5 HOUSEHOLD INCOME AND OUTLAY ACCOUNT

At current prices - Million Vatu

	2001	2002	2003	2004	2005	2006
Compensation of Employees	13 906	13 172	13 475	14 196	14 962	17 073
Gross Mixed Income	7 674	7 470	7 755	8 294	8 973	9 613
Current Transfers	368	715	438	482	613	996
From General Government	240	235	142	135	81	134
From Non-residents	128	480	296	347	532	862
CURRENT RECEIPTS	21 948	21 357	21 668	22 972	24 548	27 682
Household Final Consumption Expenditure	20 345	21 362	22 430	23 552	24 729	26 414
Current Transfers	965	1 224	1 229	1 065	550	632
To General Government	24	14	21	20	26	28
To Non-residents	941	1 210	1 208	1 046	524	504
Statistical Discrepancy	3 658	1 207	2 502	2 811	5 537	6 201
Household Saving	-3 020	-2 437	-4 494	-4 456	-6 269	-5 465
CURRENT DISBURSEMENTS	21 948	21 357	21 668	22 972	24 548	27 682

Source: National Statistics Office

NATIONAL ACCOUNTS OF VANUATU

Table 6 GENERAL GOVERNMENT INCOME AND OUTLAY ACCOUNT

At current prices - Million Vatu

	2001	2002	2003	2004	2005	2006
Property Income	418	330	236	271	268	363
Dividends	246	213	101	133	168	199
Interest and Land Rent	172	117	135	137	100	164
Taxes on Production and Imports	5 705	5 621	621	6 515	6 940	7 914
Current Transfers	2 399	2 242	1 824	2 400	2 334	2 521
From Residents	24	14	21	20	26	28
From Non-residents	2 375	2 228	1 803	2 380	2 308	2 493
CURRENT RECEIPTS	8 522	8 193	8 004	9 185	9 542	10 798
Government Final Consumption Expenditure	7 688	7 579	7 412	7 252	7 514	8 562
Subsidies	230	226	283	301	302	303
Property Income Payable	281	387	353	369	349	338
Current Transfers	248	252	199	208	229	184
To Residents	240	235	142	135	81	134
To Non-residents	8	17	57	73	148	50
Government Saving	75	- 251	- 243	1 055	1 148	1 411
CURRENT DISBURSEMENTS	8 522	8 193	8 004	9 185	9 542	10 798

Source: National Statistics Office

NATIONAL ACCOUNTS OF VANUATU

Table 7 GROSS DOMESTIC PRODUCT, BY INDUSTRY

At current prices - Million Vatu

	2001	2002	2003	2004	2005	2006
AGRICULTURE, FISHING & FORESTRY	5 132	5 030	5 213	5 588	5 668	6 732
Custom / traditional agriculture	3 237	3 340	3 419	3 552	3 676	4 364
Export agriculture	1 582	1 395	1 495	1 786	1 529	1 983
Other commercial agriculture	144	130	127	121	166	188
Forestry and logging	169	165	172	128	297	197
INDUSTRY	3 105	2 962	3 002	3 180	3 565	3 953
Manufacturing	1 328	1 167	1 244	1 341	1 438	1 477
Electricity and water	685	701	683	675	810	917
Construction	1 092	1 094	1 075	1 164	1 317	1 559
SERVICES	25 888	23 965	25 970	28 094	31 154	35 216
Wholesale and Retail Trade	10 705	9 219	10 523	11 122	12 611	14 436
Hotels and Restaurants	2 603	2 372	2 163	2 461	2 633	2 940
Transport and Communication	4 166	3 785	4 115	4 704	5 368	5 892
Finance and Insurance	2 724	2 664	2 991	3 225	3 908	4 310
Real Estate and Business Services	2 053	1 961	2 189	2 547	2 794	3 118
Government Services	4 663	4 825	4 955	4 973	5 147	6 195
Personal Services	372	383	391	403	422	450
Domestic Services	408	429	459	485	509	535
less Imputed Bank Service Charge	1 806	1 673	1 816	1 825	2 238	2 660
GROSS DOMESTIC PRODUCT	34 125	31 957	34 185	36 863	40 387	45 901
Resident Population (mid year estimate)	196 123	201 222	206 454	211 822	217 329	222 980
GDP per capita	173 998	158 816	165 584	174 027	185 835	205 851

Source: National Statistics Office

NATIONAL ACCOUNTS OF VANUATU

Table 8 GROSS DOMESTIC PRODUCT, BY INDUSTRY

At current prices - percentage change

	2002	2003	2004	2005	2006
AGRICULTURE, FISHING & FORESTRY	-2.0	3.6	7.2	1.4	18.8
Custom / traditional agriculture	3.2	2.4	3.9	3.5	18.7
Export agriculture	-11.8	7.2	19.5	-14.4	29.7
Other commercial agriculture	-9.8	-2.6	-4.4	37.3	13.0
Forestry and logging	-1.9	4.0	-25.4	131.5	-33.8
INDUSTRY	-4.6	1.3	5.9	12.1	10.9
Manufacturing	-12.1	6.6	7.8	7.2	2.7
Electricity and water	2.3	-2.5	-1.2	19.9	13.3
Construction	0.2	-1.8	8.3	13.2	18.4
SERVICES	-7.4	8.4	8.2	10.9	13.0
Wholesale and Retail Trade	-13.9	14.1	5.7	13.4	14.5
Hotels and Restaurants	-8.9	-8.8	13.8	7.0	11.7
Transport and Communication	-9.2	8.7	14.3	14.1	9.8
Finance and Insurance	-2.2	12.3	7.8	21.2	10.3
Real Estate and Business Services	-4.5	11.6	16.3	9.7	11.6
Government Services	3.5	2.7	0.4	3.5	20.3
Personal Services	3.0	2.0	3.0	4.9	6.5
Domestic Services	5.3	7.0	5.7	4.9	5.1
less Imputed Bank Service Charge	-7.4	8.6	0.5	22.6	18.9
GROSS DOMESTIC PRODUCT	-6.4	7.0	7.8	9.6	13.7
Resident Population (mid year estimate)	2.6	2.6	2.6	2.6	2.6
GDP per capita	-8.7	4.3	5.1	6.8	10.8

Source: National Statistics Office

NATIONAL ACCOUNTS OF VANUATU

Table 9 GROSS DOMESTIC PRODUCT, BY INDUSTRY

At constant (1983) prices - Million Vatu

	2001	2002	2003	2004	2005	2006
AGRICULTURE, FISHING & FORESTRY	2 994	2 894	3 083	3 305	3 161	3 236
Custom / traditional agriculture	1 669	1 706	1 745	1 784	1 823	1 879
Export agriculture	1 139	1 026	1 174	1 380	1 095	1 166
Other commercial agriculture	87	74	74	71	90	98
Forestry and logging	99	87	91	70	153	94
INDUSTRY	1 581	1 489	1 542	1 625	1 741	1 864
Manufacturing	655	569	595	625	663	674
Electricity and water	418	414	410	424	442	454
Construction	507	506	537	576	636	736
SERVICES	12 103	11 061	11 311	11 883	13 005	14 095
Wholesale and Retail Trade	5 489	4 849	4 854	4 773	5 316	5 975
Hotels and Restaurants	987	890	812	922	979	1 086
Transport and Communication	1 730	1 459	1 512	1 747	1 988	2 141
Finance and Insurance	1 211	1 162	1 266	1 346	1 609	1 744
Real Estate and Business Services	1 083	1 005	1 129	1 328	1 456	1 619
Government Services	2 117	2 131	2 207	2 223	2 263	2 274
Personal Services	156	157	157	158	160	171
Domestic Services	132	137	143	149	155	162
less Imputed Bank Service Charge	803	730	769	762	922	1 077
GROSS DOMESTIC PRODUCT	16 678	15 444	15 936	16 812	17 906	19 195
Resident Population (mid year estimate)	196 123	201 222	206 454	211 822	217 329	222 980
GDP per capita	85 036	76 751	77 191	79 370	82 393	86 085

Source: National Statistics Office

NATIONAL ACCOUNTS OF VANUATU

Table 10 GROSS DOMESTIC PRODUCT, BY INDUSTRY

At constant (1983) prices - percentage change

	2002	2003	2004	2005	2006
AGRICULTURE, FISHING & FORESTRY	-3.4	6.5	7.2	-4.4	2.4
Custom / traditional agriculture	2.2	2.3	2.2	2.2	3.1
Export agriculture	-10.0	14.4	17.6	-20.7	6.5
Other commercial agriculture	-14.6	-1.1	-3.8	27.7	8.3
Forestry and logging	-11.6	3.9	-23.1	118.8	-38.7
INDUSTRY	-5.8	3.5	5.4	7.1	7.0
Manufacturing	-13.1	4.5	5.0	6.1	1.6
Electricity and water	-1.0	-1.0	3.5	4.1	2.8
Construction	-0.2	6.2	7.2	10.5	15.7
SERVICES	-8.6	2.3	5.1	9.4	8.4
Wholesale and Retail Trade	-11.7	0.1	-1.7	11.4	12.4
Hotels and Restaurants	-9.7	-8.8	13.6	6.1	11.0
Transport and Communication	-15.7	3.7	15.5	13.8	7.7
Finance and Insurance	-4.1	9.0	6.3	19.6	8.4
Real Estate and Business Services	-7.2	12.2	17.6	9.7	11.2
Government Services	0.7	3.6	0.7	1.8	0.5
Personal Services	0.7	-0.4	0.7	1.7	6.3
Domestic Services	4.2	4.2	4.2	4.2	4.2
less Imputed Bank Service Charge	-9.1	5.4	-1.0	21.0	16.8
GROSS DOMESTIC PRODUCT	-7.4	3.2	5.5	6.5	7.2
Resident Population (mid year estimate)	2.6	2.6	2.6	2.6	2.6
GDP per capita	-9.7	0.6	2.8	3.8	4.5

Source: National Statistics Office

NATIONAL ACCOUNTS OF VANUATU

Table 11 GROSS DOMESTIC PRODUCT, BY INDUSTRY

Implicit price deflators

	2001	2002	2003	2004	2005	2006
AGRICULTURE, FISHING & FORESTRY	171.4	173.8	169.1	169.1	179.3	208.0
Custom / traditional agriculture	194.0	195.7	195.9	199.1	201.7	232.3
Export agriculture	138.8	136.0	127.4	129.4	139.7	170.1
Other commercial agriculture	165.3	174.7	172.0	170.9	183.9	191.8
Forestry and logging	170.7	189.3	189.5	183.9	194.6	210.3
INDUSTRY	196.5	198.9	194.7	195.7	204.7	212.1
Manufacturing	202.7	205.0	209.1	214.7	216.9	219.2
Electricity and water	164.0	169.3	166.7	159.2	183.4	202.2
Construction	215.2	216.2	200.0	202.0	206.9	211.8
SERVICES	213.9	216.7	229.6	236.4	239.6	249.8
Wholesale and Retail Trade	195.0	190.1	216.8	233.0	237.2	241.6
Hotels and Restaurants	263.9	266.4	266.4	266.9	269.1	270.7
Transport and Communication	240.8	259.5	272.1	269.3	270.0	275.2
Finance and Insurance	224.9	229.3	236.2	239.7	242.9	247.1
Real Estate and Business Services	189.5	195.0	193.9	191.8	191.9	192.6
Government Services	220.2	226.4	224.5	223.7	227.5	272.4
Personal Services	238.5	244.0	249.8	255.4	263.3	263.7
Domestic Services	309.4	312.6	320.8	325.4	327.7	330.6
less Imputed Bank Service Charge	224.9	229.3	236.2	239.5	242.7	247.0
GROSS DOMESTIC PRODUCT	204.6	206.9	214.5	219.3	225.5	239.1

Source: National Statistics Office

NATIONAL ACCOUNTS OF VANUATU

Table 12 AGRICULTURE SUMMARY, BY INDUSTRY

At current prices - Million Vatu

	2001	2002	2003	2004	2005	2006
Custom / traditional agriculture	3 237	3 340	3 419	3 552	3 676	4 364
Garden and food crops	1 786	1 839	1 892	1 948	1 991	2 144
Kava	831	858	877	913	1 000	1 519
Fishing	277	286	292	301	305	313
Livestock	94	97	111	115	119	126
Copra	100	111	100	107	93	89
Poultry	15	16	16	17	17	20
Firewood	134	134	131	151	151	155
Export agriculture	1 750	1 560	1 667	1 915	1 826	2 180
Copra	663	624	619	832	413	342
Kava	440	262	263	418	456	673
Beef	410	429	471	456	591	856
Forestry and logging	169	165	172	128	297	197
Cocoa	68	78	140	79	67	107
Coffee	2	2	2	1	3	5
Other commercial agriculture	144	130	127	121	166	188
Fishing	56	43	43	38	53	70
Poultry and dairy	69	67	60	64	92	96
Fruits and vegetables	19	20	23	20	22	22
Total agriculture	5 132	5 030	5 213	5 588	5 668	6 732

Source: National Statistics Office

NATIONAL ACCOUNTS OF VANUATU

Table 13 AGRICULTURE SUMMARY, BY INDUSTRY

At current prices - percentage change

	2002	2003	2004	2005	2006
Custom / traditional agriculture	3.2	2.4	3.9	3.5	18.7
Garden and food crops	3.0	2.9	2.9	2.2	7.7
Kava	3.2	2.2	4.2	9.5	51.9
Fishing	3.2	2.2	3.1	1.2	2.7
Livestock	2.8	15.3	3.5	3.1	5.5
Copra	10.8	-10.2	8.0	-13.1	-4.8
Poultry	1.8	2.9	3.9	3.9	12.9
Firewood	0.4	-2.2	14.6	0.2	2.5
Export agriculture	-10.9	6.9	14.8	-4.6	19.3
Copra	-5.9	-0.8	34.4	-50.4	-17.2
Kava	-40.4	0.3	59.1	9.1	47.7
Beef	4.7	9.8	-3.1	29.5	44.9
Forestry and logging	-1.9	4.0	-25.4	131.5	-33.8
Cocoa	15.7	79.5	-43.7	-14.9	58.7
Coffee	3.4	16.2	-56.6	164.9	107.0
Other commercial agriculture	-9.8	-2.6	-4.4	37.3	13.0
Fishing	-23.2	0.7	-12.2	39.0	32.3
Poultry and dairy	-4.0	-9.4	5.2	44.6	4.2
Fruits and vegetables	8.7	12.8	-15.0	10.4	3.7
Total agriculture	-2.0	3.6	7.2	1.4	18.8

Source: National Statistics Office

NATIONAL ACCOUNTS OF VANUATU

Table 14 AGRICULTURE SUMMARY BY INDUSTRY

At constant (1983) prices - Million Vatu

	2001	2002	2003	2004	2005	2006
Custom / traditional agriculture	1 669	1 706	1 745	1 784	1 823	1 879
Garden and food crops	989	1 011	1 033	1 056	1 079	1 104
Kava	320	327	334	342	349	367
Fishing	144	147	151	154	157	161
Livestock	51	52	54	55	58	62
Copra	80	81	83	85	87	89
Poultry	11	11	12	12	12	13
Firewood	74	76	78	80	80	84
Export agriculture	1 238	1 113	1 264	1 450	1 248	1 259
Copra	599	520	587	747	436	388
Kava	239	191	204	318	271	236
Beef	234	242	271	254	311	433
Forestry and logging	99	87	91	70	153	94
Cocoa	66	72	111	61	75	106
Coffee	1	1	2	1	2	3
Other commercial agriculture	87	74	74	71	90	98
Fishing	29	17	19	17	20	25
Poultry and dairy	48	46	40	42	57	58
Fruits and vegetables	11	12	14	12	14	15
Total agriculture	2 994	2 894	3 083	3 305	3 161	3 236

Source: National Statistics Office

NATIONAL ACCOUNTS OF VANUATU

Table 15 AGRICULTURE SUMMARY, BY INDUSTRY

At constant (1983) prices - percentage change

	2002	2003	2004	2005	2006
Custom / traditional agriculture	2.2	2.3	2.2	2.2	3.1
Garden and food crops	2.2	2.2	2.2	2.2	2.3
Kava	2.2	2.2	2.2	2.2	5.2
Fishing	2.2	2.2	2.2	2.2	2.3
Livestock	2.6	4.1	2.7	4.3	6.8
Copra	2.2	2.2	2.2	2.2	2.3
Poultry	2.2	2.2	2.2	2.2	3.2
Firewood	2.6	2.6	2.5	0.3	4.7
Export agriculture	-10.1	13.6	14.7	-14.0	0.9
Copra	-13.2	13.0	27.3	-41.6	-11.0
Kava	-20.1	6.6	55.9	-14.5	-13.1
Beef	3.0	12.0	-6.0	22.4	39.0
Forestry and logging	-11.6	3.9	-23.1	118.8	-38.7
Cocoa	8.9	53.8	-45.1	22.9	42.0
Coffee	0.7	16.2	-60.0	157.2	100.9
Other commercial agriculture	-14.6	-1.1	-3.8	27.7	8.3
Fishing	-41.4	16.0	-12.8	17.1	23.9
Poultry and dairy	-4.5	-11.6	3.9	35.7	2.3
Fruits and vegetables	11.1	14.8	-13.6	14.5	10.8
Total agriculture	-3.4	6.5	7.2	-4.4	2.4

Source: National Statistics Office

NATIONAL ACCOUNTS OF VANUATU

Table 16 HOUSEHOLD FINAL CONSUMPTION EXPENDITURE BY EXPENDITURE GROUP

At current prices - Million Vatu

	2001	2002	2003	2004	2005	2006
Food, beverages and tobacco	8 380	8 799	9 239	9 701	10 186	10 880
Clothing and footwear	709	744	782	821	862	920
Housing, water, electricity, gas and other fuels	1 667	1 750	1 837	1 929	2 026	2 164
Furnishing, household equipment and maintenance	731	767	806	846	888	949
Health	430	452	475	498	523	559
Transport and Communications	5 742	6 029	6 331	6 647	6 980	7 455
Leisure, entertainment and culture	318	334	350	368	386	412
Education	153	161	169	178	186	199
Hotels, cafes and restaurants	1 155	1 213	1 274	1 337	1 404	1 500
Miscellaneous goods and services	1 059	1 112	1 168	1 227	1 288	1 376
Private consumption expenditure	20 345	21 362	22 430	23 552	24 729	26 414

Source: National Statistics Office

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Table 17 CENTRAL GOVERNMENT EXPENDITURE BY FUNCTION

At current prices - Million Vatu

	2001	2002	2003	2004	2005	2006
General Public Services	1 969	1 818	1 767	2 191	2 323	2 647
Defense	4	1	2	0	2	2
Public Order and Safety	645	770	719	761	835	951
Economic Affairs	1 475	1 456	1 528	1 369	1 373	1 564
Agriculture, forestry and fishing	266	265	275	258	283	322
General Economic, Commercial & Labour Affairs	338	414	377	212	220	251
Industry Sector	296	226	284	117	132	150
Transport & Telecommunication	464	434	481	561	581	662
Other Economic Services	111	117	111	221	157	179
Education	1 932	2 065	2 074	1 957	1 958	2 231
Health	908	926	925	790	810	923
Environmental Protection	19	20	27	5	6	7
Housing & Community Amenities	121	95	87	25	67	76
Recreation, Culture & Religion	109	66	68	138	140	160
Social Protection	16	11	13	16	0	0
TOTAL CENTRAL GOVERNMENT EXPENDITURE*	7 688	7 579	7 412	7 252	7 514	8 562

* Totals for the years 2000 to 2003 exclude some expenditure that are collectively consumed but cannot be classified by functions.

Source: National Statistics Office

APPENDIX 1

CONCEPTS, SOURCES AND METHODS OF ESTIMATION

CONCEPTUAL FRAMEWORK

The conceptual framework used to compile the system of national accounts for Vanuatu is essentially that of the *System of National Accounts, 1993* (SNA93), with some adaptations to reflect the situation in an island economy like Vanuatu. In principle, SNA93 cover the entire sequence of accounts and balance sheets. However, in practice, constraints of data availability, time, and resources mean that Vanuatu national accounts are usually less complete than SNA93.

Estimating Vanuatu's national accounts presents a series of problems. The major difficulty is the lack of a full range of detailed statistics that are ideally required to compile national accounts. It is also often difficult to adhere strictly to definitions and standards contained in SNA93.

The national accounts for Vanuatu comprise four main summary accounts - gross domestic product account, national income account, national capital account, and external transactions account - together with supporting tables. At this stage, other elements of the full SNA93 system, such as financial accounts and balance sheets, have not been compiled.

The external transactions account is compiled from the balance of payments statistics published by the Reserve Bank of Vanuatu. From 1996, the balance of

payments have been prepared using recommendations contained in the 5th edition of the IMF *Balance of Payments Manual* (BPM5).

Income and outlay accounts are provided for households and general government. However, not all relevant transactions are included in the household income account. For example, estimates for property income receipts and payments for the household sector have not yet been developed.

Current price estimates for GDP in Vanuatu are compiled using both the production and expenditure approaches. The data sources available for the production approach are more robust than those available for the expenditure approach. Consequently, the official measure of GDP is obtained from the production approach, with a statistical discrepancy being shown on the expenditure side to align the expenditure measure with the production measure.

DATA SOURCES AND ESTIMATION METHODS

GDP BY INDUSTRY

Agriculture, Fishing and Forestry

The value added of this sector is the sum of value added for crops, such as copra, cocoa, kava, coffee, as well as livestock, fishing and forestry. To reflect the landholding structure in Vanuatu, agricultural production is subdivided into custom or traditional agriculture, export agriculture, and other commercial agriculture. Production data on

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agricultural crops, fish, cattle and forestry are obtained from exporters, the Department of Forestry, the Department of Agriculture, and the Department of Fisheries. These data are supplemented by external trade data compiled by the National Statistics Office.

Estimates of production for commercial copra, cocoa and coffee are based on volumes of these commodities received by exporter authorities for exports and local sales, valued at prices paid to the farmers, including transport costs. Cattle production is equal to the change in the cattle herd plus cattle exported live and cattle slaughtered for export or for local consumption. Statistics on the value and quantities of cattle slaughtering are obtained from the commercial abattoirs and exports data are extracted from the overseas trade statistics.

The estimates for kava production are compiled separately for two components. First, the volume of kava exported is valued at the prices paid to farmers, including transport costs. Second, an estimate of production for domestic use is based on information from the 1983 Agricultural Census. Output for domestic consumption is split between domestic sales to Nakamals and home consumption.

Value added for components of custom or traditional agriculture, such as root crops, fruits and vegetables, fishing and poultry is calculated using benchmark data from the 1983 Agricultural Census and the 1989 and 1999 Population Censuses.

Value added for forestry and logging is based on production estimates compiled by the Department of Forestry.

Manufacturing

The main data source for the manufacturing estimates is the annual business survey. However, for the years 2000 to 2006, the current price estimates for manufacturing production are extrapolated using movements derived from VAT sales data collected by the Department of Customs and Inland Revenue.

Electricity, Gas and Water

Value added data are obtained from detailed income and expenditure statements included in the annual reports of UNELCO and the Ministry of Infrastructure and Public Utilities.

Construction

The value of output is calculated using the value of imported building materials and locally available building materials used in construction activities. An imputation is included for own account construction of dwellings in the subsistence sector.

Service Industries

The value added for wholesale trade, retail trade, hotels and restaurants, financial services, insurance services, real estate and business services and other services are estimated using data obtained from the 2001 annual business survey. However, for the

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years 2000 to 2006, the current price estimates for service industries are extrapolated using movements derived from VAT sales data collected by the Department of Customs and Inland Revenue.

The wholesale and retail industry also includes co-operatives and petroleum companies. Separate estimates are compiled for each of these sub-sectors. Data for annual sales, intermediate inputs and other costs are obtained from the annual reports for the respective data sources.

Annual income and expenditure statements from annual reports are also used for compiling estimates for banks, airlines, Vanuatu Post and Telecom.

The value added arising from government services is calculated as the sum of value added for government departments, provincial governments and municipalities, and other agencies within the general government sector.

Estimates for gross operating surplus and value added for both rented and owner-occupied dwellings are included in the real estate and business services industry. Data on rent tax collections provides a useful indicator for estimating gross rent for rented dwellings.

Benchmark data for Nakamals, bus and taxi operators, and handicraft producers were obtained from the 2000 Informal Sector Survey. These data were used to derive estimates for total revenue and gross value added for these industry sectors.

Income generated from domestic services is equal to the estimated expenditures of urban households on domestic help. Benchmark estimates for the number of domestic servants are obtained from the periodic Population Censuses.

EXPENDITURE COMPONENTS OF GDP

Government Final Consumption Expenditure

Vanuatu's government financial statistics provide detailed information on the receipts and recurrent expenditures of the central government. The corresponding data for the provincial governments were made available from the provincial government administration office.

Technical assistance grants provided under bilateral or multilateral arrangements are treated as imports of services from the donor governments or international organizations, following the treatment used in the Balance of Payments (BOP).

Household Final Consumption Expenditure

Household final consumption expenditure is estimated using the commodity flow method. Available supply is estimated by adding together subsistence production, local market production, imports and a trade mark-up. The value of intermediate consumption, exports and government consumption are deducted from this total to derive the household final consumption expenditure.

Gross Fixed Capital Formation

Estimates for annual expenditure on fixed assets are derived from imports and production statistics by the use of the commodity flow approach. The aggregate for construction and land improvements is estimated as the value of output of the construction industry. Estimates for annual expenditure on durable equipment are derived from import statistics.

Changes in Inventories

Changes in inventories are compiled by industry and are derived mainly from data collected in the annual business survey. For construction, a proportion of the imports of building materials each year are assumed to remain in inventories at the end of the year and to be used in construction work the following year. Estimates of changes in inventories for cattle are derived by deducting slaughtering and live exports from estimates of the natural increase in the herd.

Exports and Imports of Goods and Services

Data on merchandise trade are obtained from the detailed overseas trade statistics maintained by the National Statistics Office.

Time series data on non-merchandise exports and imports are available from the Balance of Payments statistics compiled by the Reserve Bank of Vanuatu.

APPENDIX 2

GLOSSARY OF NATIONAL ACCOUNTING TERMS

At Constant (average 1983) Prices

An aggregate at constant (average 1983) prices is the value obtained by applying the base year (1983) prices to the quantities of the goods and services that comprise the aggregate for each period in the time series. Estimates at constant prices reflect real changes, and in practice are obtained either by deflating current price estimates by relevant price indices or by quantity revaluation (i.e. multiplying the quantities of goods and services in each period by the prices in the base year). Implicit Price Deflators (IPDs) reflect changes in prices from the base year, and are derived by dividing current price estimates by the corresponding estimates at average 1983 prices. However, IPDs are not pure measures of price change as they are also affected by changes in the composition of the aggregates over time.

Capital Transfers

Capital transfers are transactions, either in cash or in kind, in which the ownership of an asset (other than cash or inventories) is transferred from one institutional unit to another, or in which cash is transferred to enable the recipient to acquire another asset, or in which the funds realized by the disposal of another asset are transferred. A capital transfer in kind consists of the transfer of ownership of an asset or

cancellation of a liability by a creditor, without any counterpart being received in return.

Changes in Inventories

Changes in inventories consist of changes in: (a) stocks of outputs that are still held by the units that produced them prior to their being further processed, sold, delivered to other units or used in other ways; and (b) stocks of products acquired from other units that are intended to be used for intermediate consumption or for resale without further processing. Changes in inventories may be classified into finished goods, work in progress and raw materials.

Compensation of Employees

Includes the total remuneration, in cash or in kind, payable by enterprises to employees in return for work done by the latter during the accounting period. Compensation of employees comprises wages and salaries, and employer social contributions. Employer social contributions comprise workers' compensation and employers' contributions to superannuation funds.

Current Transfers

Current transfers consist of all transfers that are not transfers of capital. They directly affect the level of disposable income and should influence the consumption of goods and services. Current transfers that take place between residents and non-residents are also referred to as current transfers from/to abroad.

Employer Social Contributions

Employer social contributions comprise workers' compensation and employers' contributions to superannuation funds. In Vanuatu most employers make contributions on behalf of their employees to the Vanuatu National Provident Fund, but some employers make contributions to other superannuation funds.

Exports of Goods and Services

Exports of goods and services consist of sales, or gifts or grants, of goods and services from residents to non-residents. The treatment of exports and imports in the national accounts is generally identical with that in the balance of payments accounts.

Government Final Consumption Expenditure

Government final consumption expenditure consists of expenditures, including imputed expenditure, incurred by general government (national and local government) on both individual consumption of goods and services and collective consumption of services. It comprises expenditure on compensation of employees (other than those charged to capital works), and goods and services (other than fixed assets). Fees charged by the government for goods and services rendered are offset against purchases.

Gross Domestic Product (GDP)

GDP is the market value of the final output of goods and services produced by all resident

producers in the country, before any allowance for the consumption of fixed capital. It is also defined as the sum of the gross value added of all the productive sectors of the economy. Gross value added refers to the unduplicated output of industries and it is usually estimated by deducting from total sales or revenue the intermediate costs. Intermediate costs cover payments made for raw materials, supplies and services rendered by others. Gross value added is also equal to the sum of compensation of employees, gross operating surplus earned by domestic producers, and taxes less subsidies on production and imports.

GDP, in other words, is simply the sum total of all factor income generated by resident economic agents for a specific period of time. This income is then used to purchase final goods and services in the market for consumption (household and government) and for investment or capital formation (construction, durable equipment and changes in inventories). That part of output not consumed domestically is exported.

Gross Fixed Capital Formation

Gross fixed capital formation is measured by the total value of a producer's acquisitions, less disposals, of fixed assets during the accounting period. Expenditure on fixed assets is disaggregated into construction and land improvement, and durable equipment. Also included is compensation of employees paid by enterprises in connection with own-account capital formation.

Gross National Expenditure

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Gross national expenditure comprises the sum of final consumption expenditure, for both households and general government, and gross capital formation (gross fixed capital formation plus changes in inventories).

Gross National Income (GNI)

GNI is equal to GDP less net taxes on production and imports less compensation of employees and property income payable to the rest of the world plus the corresponding items receivable from the rest of the world.

Gross Operating Surplus

Gross operating surplus is equal to operating surplus before the deduction of any allowance for the consumption of fixed capital (i.e. depreciation).

Gross Value Added

Gross value added is the value of output less the value of intermediate consumption. It is a measure of the contribution to GDP made by an individual producer, industry or sector.

Household Final Consumption Expenditure

Household final consumption expenditure consists of the expenditure, including imputed expenditure, incurred by resident households on individual consumption goods and services, including those sold at prices that are not economically significant.

Imports of Goods and Services

Imports of goods and services consist of purchases, or receipts of gifts or grants, of goods and services received by residents from non-residents. The treatment of exports and imports in the national accounts is generally identical with that in the balance of payments accounts.

Imputed Expenditure

Some transactions, which are desirable to include in the accounts, do not take place in money terms and so cannot be measured directly; in such cases a conventional value is imputed to the corresponding expenditure.

Informal Sector

The informal sector is broadly characterized as comprising production units that operate on a small scale and at a low level of organization, with little or no division between labour and capital as factors of production, and with the primary objective of generating income and employment for the persons concerned.

Intermediate Consumption

Intermediate consumption consists of the value of the goods and services consumed as inputs by a process of production, excluding fixed assets whose consumption is recorded as consumption of fixed capital.

National Disposable Income

National disposable income may be derived from national income by adding all current transfers in cash or in kind receivable by resident institutional units from non-resident units, and subtracting all current transfers in cash or in kind payable by resident institutional units to non-resident units.

National Saving

Saving is disposable income less final consumption expenditure. National saving may be disaggregated by institutional sector. Separate estimates are shown for personal saving, government saving and corporate saving. Gross disposable income is calculated as gross national income less net current transfers from non-residents.

Net Lending

Net lending is the net amount a unit or sector has available to finance, directly or indirectly, other units or other sectors. It is the balancing item in the capital account. Negative net lending may be described as net borrowing.

Operating Surplus

Operating surplus measures the surplus or deficit accruing from production before taking account of any interest, natural resource rent or similar charges payable on financial or tangible non-produced assets borrowed or rented by the enterprises, or any interest, rent or similar receipts receivable on

financial or tangible non-produced assets owned by the enterprises (for unincorporated enterprises owned by households, this component is called "mixed income").

Property Income

Property income is the income receivable by the owner of a financial asset or a tangible non-produced asset in return for providing funds to, or putting the tangible non-produced asset at the disposal of, another institutional unit. It consists of interest, dividends, reinvested earnings on direct foreign investment and rent.

Residence

An institutional unit is resident in a country when it has a center of economic interest in the economic territory of that country.

Resident households and individuals. All individuals living within the domestic territory of the country except the following: (a) foreign visitors staying in the country for less than one year; (b) crew members of foreign vessels on lay-over; (c) commercial travellers and seasonal workers in the country for less than one year; (d) official, diplomatic and consular representatives and members of the armed forces of a foreign country; and (e) employees of international bodies who are not citizens of the country and are on a mission of less than one year in duration.

Resident industries. Units engaged in production on the domestic territory of the country, including branches of foreign enterprises.

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Resident government bodies. Central and local governments of the country located in its territory, including the country's embassies and consulates abroad. International organizations located in the territory are considered as non-resident.

Statistical Discrepancy

The statistical discrepancy is the difference between GDP estimated using the production and expenditure approaches. It is placed on the expenditure side of the gross domestic product account in recognition of the more robust nature of the data sources used to estimate the production measure of GDP. It is also shown in the national and household income accounts on the disbursements side of these accounts because household final consumption expenditure is regarded as being less firmly based than other items in those accounts.

Subsidies

Subsidies are current unrequited payments that government units, including non-resident government units, make to enterprises on the basis of the level of their production activities or the quantities or value of the goods or services that they produce, sell or import.

Taxes on Production and Imports

Taxes on production and imports consist of taxes payable on goods and services when they are produced, delivered, sold or otherwise disposed of by their producers plus taxes and duties on imports that become payable when goods enter the economic territory or when services are delivered to resident units by non-resident units. Included are import and export duties, VAT, hotel turnover tax, business and professional licenses and other selective taxes on services such as airport taxes.

Wages and Salaries

Wages and salaries consist of wages and salaries in cash and wages and salaries in kind. Wages and salaries comprise all payments to employees (before deducting employees own contributions to the Vanuatu National Provident Fund) covering basic compensation, payments for overtime or standby time, and all allowances for housing, education etc. Also included are holiday and sick pay, gratuities and lump sum payments for holidays or on termination of employment. Fees paid to directors of corporations are also included.