

Preface

The National Accounts - 2003 Annual Report is one of the latest achievements of the National Statistics Office, as it was compiled for the first time without technical assistance.

The report presents the national accounts of Vanuatu for the period 1998-2003. It also contains a detailed description of the methodology adopted in deriving the estimates. The previously published estimates for 2002 have been revised, where applicable, based on more firm data received by the National Statistics Office.

As far as possible, the estimates were compiled using most recent preliminary data provided by various government and private sector organisations. We acknowledge the cooperation of various government and private sector organizations that shared their data with us for the preparation of this publication.

However, it should be appreciated that not all of the required data are currently available from some of the government departments and private sector organisations and other administrative data sources such as VAT sales were used to extrapolate the data gaps.

We hope that this publication is a valuable resource for its users. General inquiries about the content and interpretation of statistics in this publication should be directed to the Statistics Office, Tel 22110 / 22111



Nancy WELLS
Government Statistician

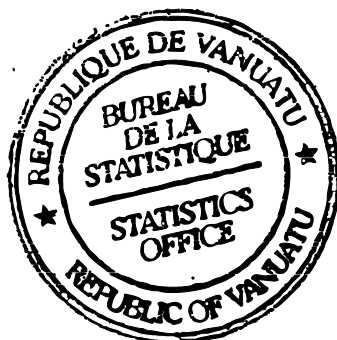


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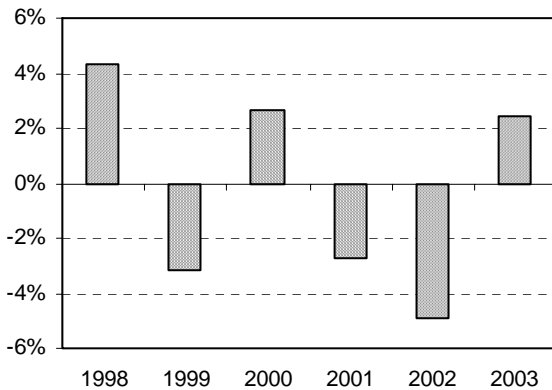
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RECENT MOVEMENTS IN GDP

In 2003, the Vanuatu economy grew by 2.4 per cent, in real terms, indicating a partial recovery after two consecutive years of contractions in 2001 and 2002. Revised figures for 2002 show the year as worse than 1999 and 1987, with growth slowing 5.8 per cent in real terms. Nineteen eighty seven (1987) was the year, cyclone Uma devastated Port Vila’s infrastructure, while 1999 was the year after the kava boom and VNPF riot.

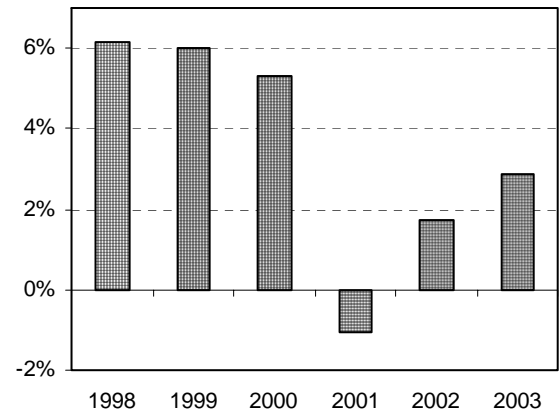
Chart 1: Real GDP growth, at average 1983 Prices – Percentage Change



RECENT MOVEMENTS IN FINAL DEMAND

TOTAL DEMAND at current prices increased by 3.1 per cent after a decrease of 4.0 per cent in 2002. External demand; and goods and services exports increased by 3.3 and 6.4 per cent respectively. Household final consumption expenditure rose by 5.2 per cent, while government final consumption expenditure increased by 1.7 per cent over 2002. Meanwhile, gross capital formation dropped by 2.7 per cent, as the private sector remained cautious due to flagging business sentiments.

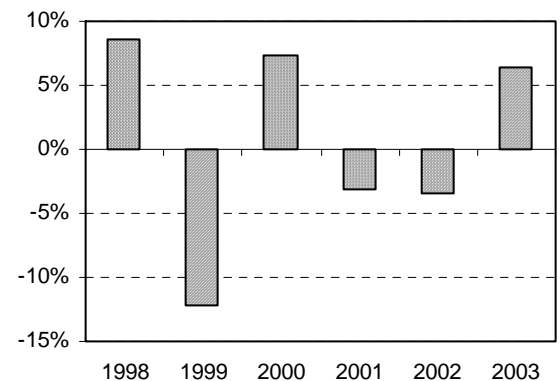
Chart 2: Final demand, at current Prices – Percentage Change



SECTORAL PERFORMANCE

THE AGRICULTURE, FISHING AND FORESTRY SECTOR, in real terms, turned around from a negative 3.4 per cent in 2002 to 6.4 per cent, in 2003. The recovery in agriculture sector was felt in the services sector, as the latter registered a 1.7 per cent growth. The industry sector, however recorded a negative 0.3 per cent growth.

Chart 3: Agriculture, fishing and forestry, at average 1983 Prices – Percentage Change



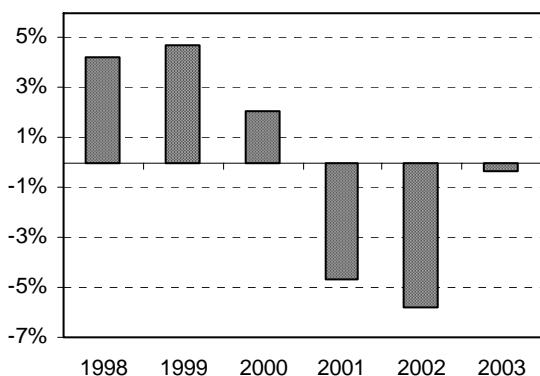
The growth in agriculture sector was mainly attributable to the improvement in copra, cocoa, and kava exports industries.

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In 2003, production of copra, cattle, kava, cocoa, and forestry and logging expanded by 13.0 per cent, 12.0 per cent, 53.8 per cent and 3.9 per cent respectively.

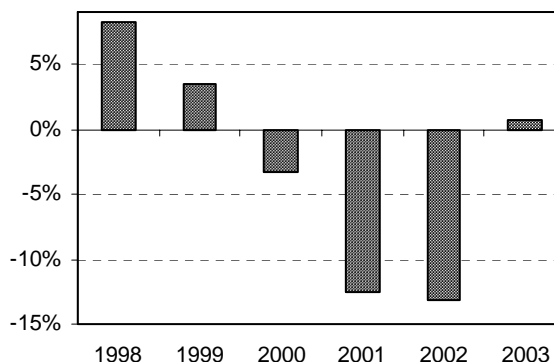
THE INDUSTRY SECTOR, improved from a negative 5.8 per cent in 2002 to a negative 0.3 per cent in 2003. This sector, which consists of three sub sectors namely Manufacturing, Electricity, Gas and Water, and Construction, still performed weakly.

Chart 4 : Industry sector, at average 1983 Prices – Percentage Change



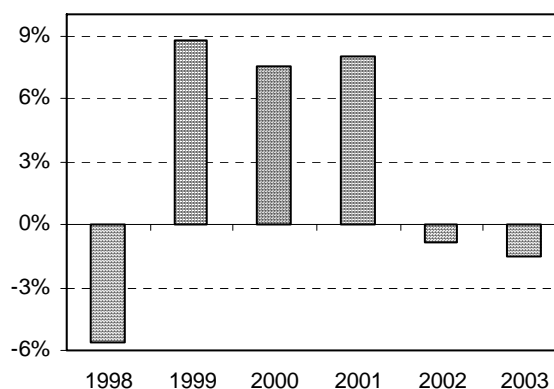
THE MANUFACTURING SECTOR, which recorded a significant fall of 13.1 per cent in 2002, rose to 0.7 per cent in 2003. This was largely attributed by the 13.6 per cent, and 1.7 per cent turn around in Wood & Wood Products and Clothing & Textile respectively. These significant increases were offset by Food and Other Manufacturing, which registered a negative 3 per cent and a negative 1.9 per cent respectively in 2003.

Chart 5 : Manufacturing sector, at average 1983 Prices – Percentage Change



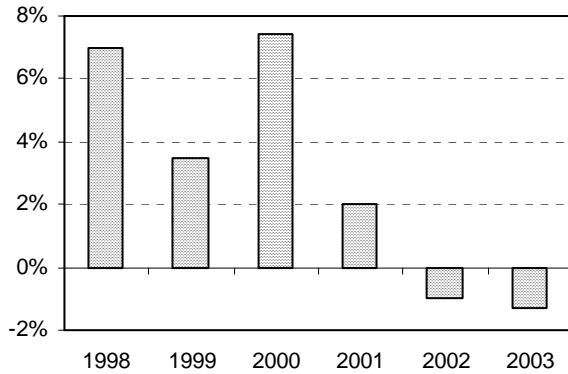
THE CONSTRUCTION SECTOR further contracted by 1.5 per cent in 2003 on top of the negative 0.8 per cent growth reported during 2002. Activity declined, particularly in the public sectors, since there were no major construction projects implemented during the year. The positive performance of subsistence construction helped to mitigate the magnitude of the overall negative growth.

Chart 6 : Construction sector, at average 1983 Prices – Percentage Change



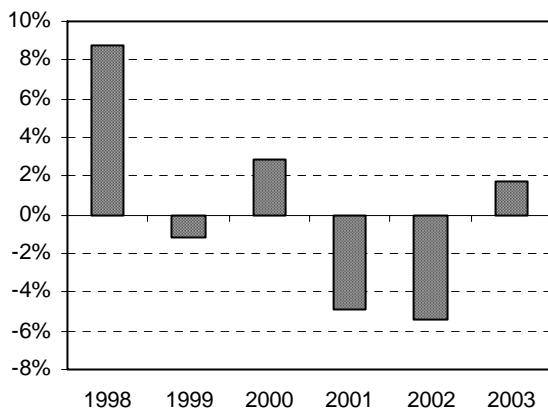
THE ELECTRICITY, GAS AND WATER SECTOR continued downward from negative 1.0 per cent in 2002 to negative 1.3 per cent in 2003. The slow recovery in manufacturing; and the downturn in the construction industry had a negative impact on the demand for electricity.

Chart 7: Electricity, gas and water, at average 1983 Prices – Percentage Change



THE SERVICES SECTOR expanded by 1.7 per cent compared with a negative 5.4 per cent growth in 2002. The services sector's growth was largely attributable to a general improvement of all sub sectors, except in personal services. This sub-sector, which includes businesses such as private schools, doctors, dentists, hairdressers, and sporting and recreation activities, further deteriorated from negative 10.9 in 2002 to negative 12.4 per cent in 2003.

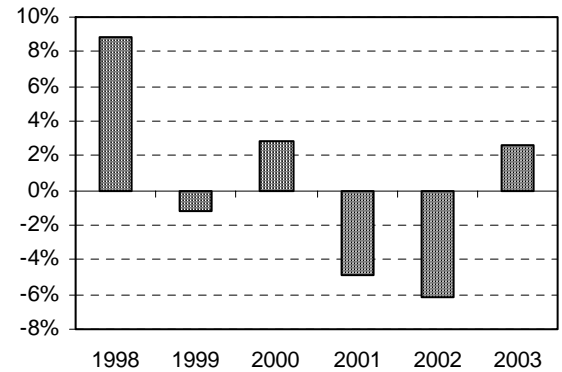
Chart 8: Services sector, at average 1983 Prices – Percentage Change



THE WHOLESALE AND RETAIL TRADE SECTOR picked up significantly from a - 6.2 per cent during the previous year to a 2.6 per cent growth in 2003, reflecting the positive impact of the agriculture sector. The improvement in the wholesale and retail

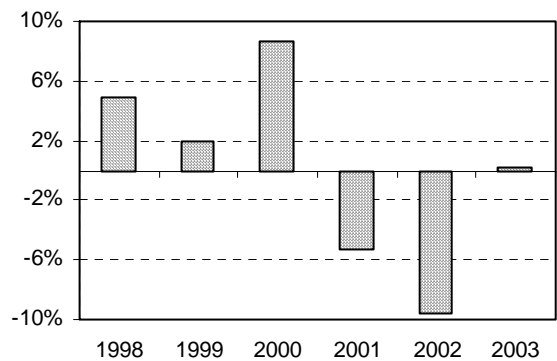
trade sector eased the tension in services sector.

Chart 9: Wholesale and retail trade, at average 1983 Prices – Percentage Change



THE HOTEL AND RESTAURANTS SECTOR rose to a 0.2 per cent from a fall of 9.6 per cent in 2002, reflecting the 1.9 per cent increase in the number of overseas tourist arrivals, excluding day visitors.

Chart 10: Hotels and restaurants, at average 1983 Prices – Percentage Change

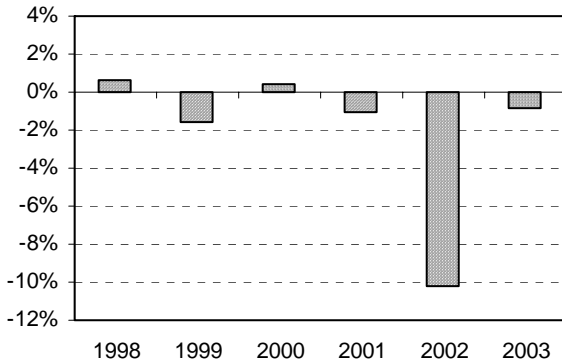


THE TRANSPORT AND COMMUNICATION SECTOR, which includes air lines, passenger and freight transport, improved notably in real term from a negative 10.2 per cent in 2002 to a negative 0.9 per cent in 2003. This improvement was largely driven by the airlines. Meanwhile,

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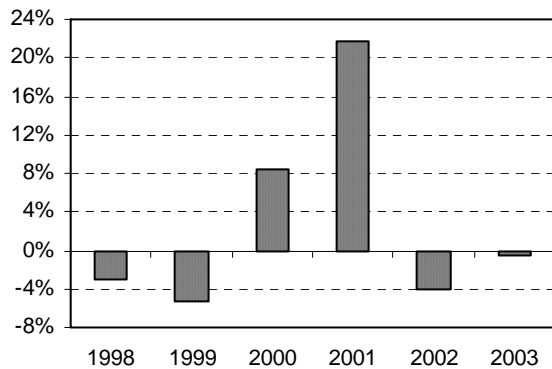
inter-island shipping transport as well as tourist related transport still experienced difficulties during the period.

Chart 11: Transport and communication, at average 1983 Prices – Percentage Change



THE FINANCE AND INSURANCE SECTOR, though it has improved significantly from a contraction of 4.1 per cent in 2002 to a negative 0.4 per cent in 2003, still performed weakly.

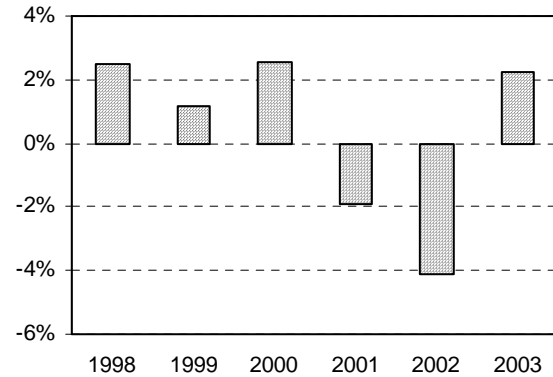
Chart 12 : Finance and insurance, at average 1983 Prices – Percentage Change



THE REAL ESTATE AND BUSINESS SERVICES SECTOR, which includes all other business services, increased by 2.2 per cent in 2003, following a contraction of 4.1 per cent in the previous year. Real estate

services improved significantly, after two years of poor performances.

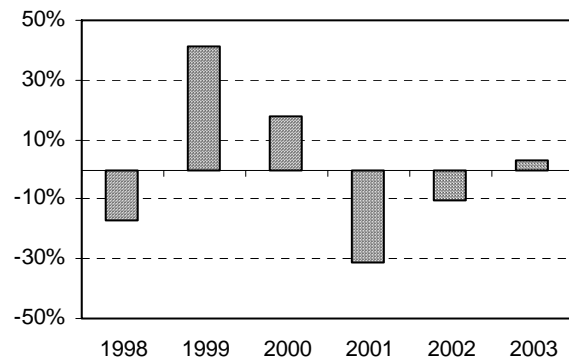
Chart 13 : Real estate and business services, at average 1983 Prices – Percentage Change



EMPLOYMENT

TOTAL FORMAL SECTOR EMPLOYMENT grew by 505 from 16,717 in 2002 to 17,222 in 2003. This was due to sector growth in wholesale & retail services, the hotels & restaurants, the real estate & other business services and Government.

Chart 14 : VNPF contributing members, Percentage Change



EXTERNAL TRADE

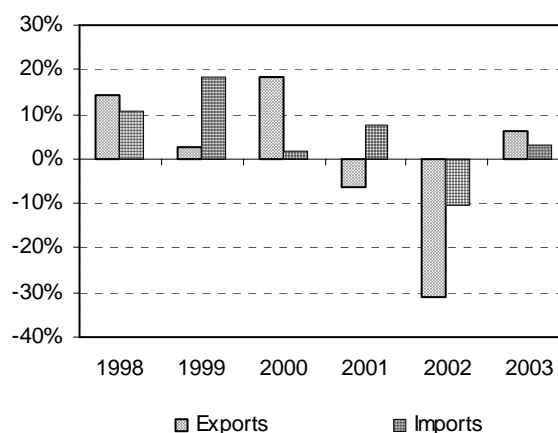
THE EXPORT SECTOR, after the severe setback in 2002, registered an increase in volume, but general decline in prices. Vanuatu's exports comprise mainly agricultural commodities and tourist related services. In 2003, total export earnings from goods and services rose in current terms by 6.4 per cent over the previous year.

Earnings from both exports of other goods & services, and domestic merchandise recorded a 2.1 per cent, and 34.9 per cent growth respectively compared to 2002.

The recovery in the copra and cocoa industries reflects the change in VCMB's policy. This allowed private companies to trading copra and cocoa, while VCMB restrained itself to take monitoring and regulatory roles. Improvement in kava exports was one of the contributing factors to the boost in agriculture. It is to be noted though, that the severity of the 2002 ban on Vanuatu kava imports was reflected by the revised figures. The 28 per cent growth in kava trading previously published was revised to negative 20.1 per cent. This very significant revision was due to errors in currency conversion.

EXPENDITURE ON IMPORTS of goods and services grew by 3.3 per cent in 2003. This increase was largely due to both imports for home consumption and other goods & services. The latter rose by 4.7 per cent while imports for home consumption went up 3.2 per cent compared to 2002.

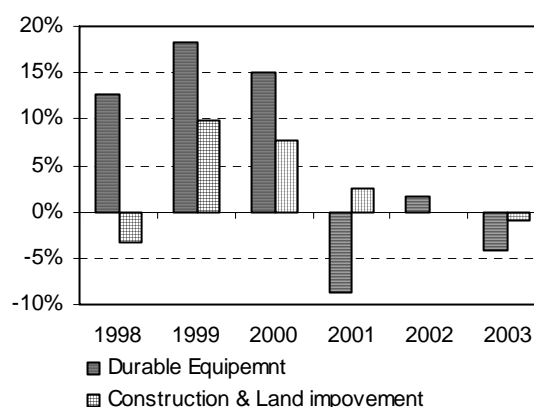
Chart 15 : Imports and Exports of goods and services, percentage Changes



INVESTMENT

Investments remain adversely affected by deteriorating investor confidence. Gross fixed capital formation contracted by 2.7 per cent at current prices in 2003. Investment in construction and land improvement contracted further from negative 0.1 per cent in 2002 to negative 1.3 per cent in 2003, while durable equipment declined by 4.1 per cent.

Chart 16 : Durable equipment, and construction & Land Improvement, percentage Changes



NATIONAL SAVING

Saving, which is the balancing item is the residual of gross disposable income, when is not used in final consumption. National saving, which includes household saving, government saving and corporate saving, shrank by a further 50.8 per cent in 2003. The contraction in national saving was due to a 32.9 per cent and a 97.5 per cent deteriorations in household and Government savings. The latter is defined as the difference between general government current receipts and its current disbursement. Corporate saving grew by 3.1 per cent, from 5,172 in 2002 to 5,533 million Vatu in 2003.

NET LENDING TO OVERSEAS

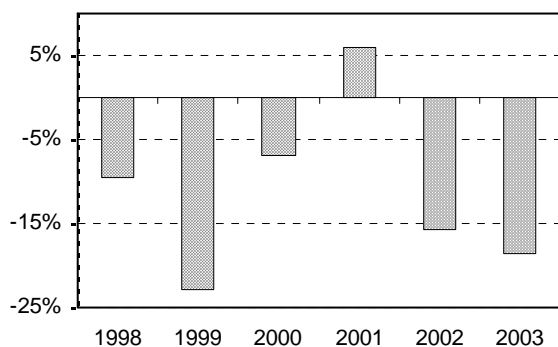
In 2003 Vanuatu's net lending to non-resident stood at - 6,241 million Vatu, showing a deterioration of 1,109 million Vatu over the previous year. Vanuatu's gross saving plus net capital transfers were insufficient to finance the level of gross capital formation, the country therefore continues to depend on external sources for investment.

CURRENT ACCOUNT BALANCE

According to the revised figures from the Reserve Bank of Vanuatu, the current account position in 2003 further deteriorated compared with 2002. The current account deficit rose from -4,820 million Vatu in 2002, to -5,674 million Vatu in 2003. This was mainly attributable to the income account and the goods & services poor performances. Income account recorded a deficit of 1,416 million Vatu, while the goods & services registered a 5,043 million Vatu deficit.

Net current transfers recorded a surplus, but contracted by 41.9 per cent from a surplus of 1,352 million Vatu in 2002, to 785 million Vatu in 2003, while net capital transfers declined by 255 million Vatu.

Chart 17 : Net lending, relative to GDP at Current Prices



NATIONAL ACCOUNTS OF VANUATU

Table 1 GROSS DOMESTIC PRODUCT ACCOUNT

At Current Prices

	In Million Vatu					
	1998	1999	2000	2001	2002	2003
Compensation of Employees	12 882	13 026	13 595	13 555	13 393	13 604
Gross Operating Surplus	13 931	13 781	14 389	14 986	13 938	14 491
Total Factor Income	26 813	26 807	27 985	28 541	27 331	28 096
Taxes less Subsidies on Production and Imports	5 610	5 592	5 677	5 564	5 395	5 661
GROSS DOMESTIC PRODUCT	32 423	32 399	33 662	34 105	32 726	33 757
Government Final Consumption Expenditure	6 751	7 462	7 787	7 688	7 582	7 707
Household Final Consumption Expenditure	18 399	18 727	19 376	19 407	20 035	21 085
Gross Fixed Capital Formation	5 606	6 418	7 181	6 880	6 943	6 753
Changes in Inventories	129	152	275	-65	-15	-42
Gross National Expenditure	30 884	32 760	34 620	33 910	34 545	35 503
Exports of Goods and Services	14 145	12 930	14 491	13 734	13 891	14 786
Less: Imports of Goods and Services	17 543	18 630	19 087	20 119	19 200	19 829
Statistical Discrepancy	4 937	5 338	3 637	6 580	3 491	3 297
GROSS DOMESTIC PRODUCT	32 423	32 399	33 662	34 105	32 726	33 757

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NATIONAL ACCOUNTS OF VANUATU

Table 2 NATIONAL INCOME ACCOUNT

At Current Prices

	In Million Vatu					
	1998	1999	2000	2001	2002	2003
Compensation of Employees	12 882	13 026	13 595	13 555	13 393	13 604
Gross Operating Surplus	13 931	13 781	14 389	14 986	13 938	14 491
Taxes less Subsidies on Production and Imports	5 610	5 592	5 677	5 564	5 395	5 661
Net Property and Entrepreneurial Income	816	-305	-485	-669	-863	-1 416
From Non-residents	3 159	3 277	3 271	3 187	3 115	2 960
To Non-residents	2 343	3 582	3 756	3 856	3 978	4 376
GROSS NATIONAL INCOME	33 239	32 094	33 177	33 436	31 863	32 341
Net Current Transfers	1 332	1 917	1 894	1 554	1 352	785
From Non-residents	2 057	2 718	2 704	2 503	2 579	2 050
To Non-residents	725	801	810	949	1 227	1 265
GROSS DISPOSABLE INCOME	34 571	34 011	35 071	34 990	33 215	33 126
Government Final Consumption Expenditure	6 751	7 462	7 787	7 688	7 582	7 707
Household Final Consumption Expenditure	18 399	18 727	19 376	19 407	20 035	21 085
Statistical Discrepancy	4 937	5 338	3 637	6 580	3 491	3 297
National Saving	4 485	2 483	4 270	1 315	2 108	1 037
TOTAL USE OF GROSS DISPOSABLE INCOME	34 571	34 011	35 071	34 990	33 215	33 126

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NATIONAL ACCOUNTS OF VANUATU

Table 3 NATIONAL CAPITAL ACCOUNT

At Current Prices

	In Million Vatu					
	1998	1999	2000	2001	2002	2003
National Saving	4 485	2 483	4 270	1 315	2 108	1 037
Household Saving	-3 420	-4 029	-2 214	-5 204	-2 720	-3 615
Government Saving	672	594	568	164	-345	-681
Corporate Saving	7 232	5 918	5 916	6 355	5 172	5 333
Net Capital Transfers from Non-residents	-146	-131	-201	670	-312	-567
 FINANCE OF GROSS ACCUMULATION	 4 339	 2 352	 4 069	 1 985	 1 796	 470
 Gross Fixed Capital Formation	 5 606	 6 418	 7 181	 6 880	 6 943	 6 753
Durable Equipment	3 118	3 686	4 242	3 869	3 936	3 775
Construction and Land Improvement	2 488	2 732	2 940	3 011	3 007	2 978
Own-account Dwellings	172	180	183	191	196	202
Other Construction and Land Improvement	2 316	2 553	2 756	2 821	2 811	2 776
Changes in Inventories	129	152	275	-65	-15	-42
Net Lending to Non-residents	-1 396	-4 218	-3 388	-4 830	-5 132	-6 241
 GROSS ACCUMULATION	 4 339	 2 352	 4 069	 1 985	 1 796	 470

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NATIONAL ACCOUNTS OF VANUATU

Table 4 EXTERNAL TRANSACTIONS ACCOUNT

At Current Prices

	In Million Vatu					
	1998	1999	2000	2001	2002	2003
Exports of Goods and Services	14 145	12 930	14 491	13 734	13 891	14 786
Domestic Merchandise Exports	3 907	2 907	3 214	2 302	1 928	2 600
Re-exports	416	420	408	593	661	652
Other Goods and Services	9 822	9 603	10 869	10 839	11 302	11 534
Income from Non-residents						
Compensation of Employees	281	360	425	466	562	480
Property Income	2 878	2 917	2 846	2 721	2 553	2 480
Current Transfers from Non-residents	2 057	2 718	2 704	2 503	2 579	2 050
To General Government	1 919	2 582	2 544	2 375	2 137	1 754
To Other Sectors	138	136	160	128	442	296
Capital Transfers from Non-residents	1 325	1 456	1 533	2 460	1 481	1 275
RESOURCES PROVIDED TO NON-RESIDENTS	20 686	20 381	21 999	21 884	21 066	21 071
Imports of Goods and Services	17 543	18 630	19 087	20 119	19 200	19 829
Imports for Home Consumption	10 264	10 539	10 553	11 094	10 684	11 028
Imports for Re-exports	124	177	301	571	198	133
Freight and Insurance	1 893	2 001	1 994	2 130	2 018	2 074
Other Goods and Services	5 262	5 913	6 239	6 324	6 300	6 594
Income to Non-residents						
Compensation of Employees	275	310	310	315	278	312
Property Income	2 068	3 272	3 446	3 541	3 700	4 064
Current Transfers to Non-residents	725	801	810	949	1 227	1 265
From General Government	10	6	10	8	17	57
From Other Sectors	715	795	800	941	1 210	1 208
Capital Transfers to Non-residents	1 471	1 587	1 734	1 790	1 793	1 842
Net Lending to Non-residents	-1 396	-4 218	-3 388	-4 830	-5 132	-6 241
RESOURCES PROVIDED BY NON-RESIDENTS	20 686	20 381	21 999	21 884	21 066	21 071

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NATIONAL ACCOUNTS OF VANUATU

Table 5 HOUSEHOLD INCOME AND OUTLAY ACCOUNT

At Current Prices

	In Million Vatu					
	1998	1999	2000	2001	2002	2003
Compensation of Employees	12 888	13 076	13 710	13 706	13 677	13 772
Gross Mixed Income	7 177	7 339	7 506	7 674	7 676	7 692
Current Transfers	581	436	399	368	677	532
From General Government	443	300	239	240	235	236
From Non-residents	138	136	160	128	442	296
CURRENT RECEIPTS	20 646	20 851	21 615	21 747	22 030	21 996
Household Final Consumption Expenditure	18 399	18 727	19 376	19 407	20 035	21 085
Current Transfers	730	814	816	965	1 224	1 229
To General Government	15	19	16	24	14	21
To Non-residents	715	795	800	941	1 210	1 208
Statistical Discrepancy	4 937	5 338	3 637	6 580	3 491	3 297
Household Saving	-3 420	-4 029	-2 214	-5 204	-2 720	-3 615
CURRENT DISBURSEMENTS	20 646	20 851	21 615	21 747	22 030	21 996

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NATIONAL ACCOUNTS OF VANUATU

Table 6 GENERAL GOVERNMENT INCOME AND OUTLAY

At Current Prices

	In Million Vatu					
	1998	1999	2000	2001	2002	2003
Property Income	549	431	634	418	330	236
Dividends	246	249	402	246	213	101
Interest and Land Rent	303	182	232	172	117	135
Taxes on Production and Imports	5 939	5 855	5 901	5 794	5 621	5 944
Current Transfers	1 934	2 601	2 560	2 399	2 151	1 775
From Residents	15	19	16	24	14	21
From Non-residents	1 919	2 582	2 544	2 375	2 137	1 754
CURRENT RECEIPTS	8 422	8 887	9 095	8 611	8 102	7 955
Government Final Consumption Expenditure	6 751	7 462	7 787	7 688	7 582	7 707
Subsidies	329	263	224	230	226	283
Property Income Payable	217	262	267	281	387	353
Current Transfers	453	306	249	248	252	293
To Residents	443	300	239	240	235	236
To Non-residents	10	6	10	8	17	57
Government Saving	672	594	568	164	-345	-681
CURRENT DISBURSEMENTS	8 422	8 887	9 095	8 611	8 102	7 955

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NATIONAL ACCOUNTS OF VANUATU

Table 7 GROSS DOMESTIC PRODUCT, by industry

At Current Prices

	In Million Vatu					
	1998	1999	2000	2001	2002	2003
AGRICULTURE, FISHING & FORESTRY	5 576	5 263	5 245	5 132	5 030	5 082
Copra	1 056	991	716	663	624	619
Cattle	394	395	409	410	429	477
Cocoa	141	86	138	68	78	140
Kava	721	367	436	440	262	263
Other Commercial Agriculture	141	119	149	146	132	139
Subsistence Agriculture	2 788	2 920	2 975	3 103	3 205	3 130
Forestry and Logging	220	262	295	169	165	176
Firewood	117	124	127	134	134	139
INDUSTRY	2 971	3 123	3 130	3 105	2 964	2 981
Manufacturing	1 450	1 494	1 468	1 328	1 167	1 209
Electricity	609	634	598	685	701	683
Construction	740	816	881	901	898	887
Subsistence Construction	172	180	183	191	198	202
SERVICES	25 476	25 629	26 909	27 674	26 406	27 379
Wholesale and Retail Trade	10 561	10 730	10 679	10 705	9 793	10 263
Hotels and Restaurants	2 212	2 292	2 741	2 603	2 372	2 385
Transport and Communication	3 809	3 728	4 082	4 166	3 962	4 261
Finance and Insurance	2 016	1 944	2 160	2 724	2 664	2 677
Real Estate and Business Services	1 812	1 868	1 970	2 053	2 013	2 081
Government Services	4 296	4 368	4 521	4 663	4 825	4 960
Personal Services	437	353	373	333	311	288
Domestic Services	332	346	383	427	466	464
less Imputed Bank Service Charge	1 600	1 616	1 622	1 806	1 673	1 686
GROSS DOMESTIC PRODUCT	32 423	32 399	33 662	34 105	32 726	33 757
Net Factor Income from Abroad	816	-305	-485	-669	-863	-1 416
GROSS NATIONAL INCOME	33 239	32 094	33 177	33 436	31 863	32 341
Resident Population (mid year estimate)	182 000	186 678	191 700	196 900	202 241	207 727
GDP per capita	178 147	173 555	175 596	173 209	161 819	162 505

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NATIONAL ACCOUNTS OF VANUATU

Table 8 GROSS DOMESTIC PRODUCT, by industry

At Current Prices - Percentage change

	1998	1999	2000	2001	2002	2003
AGRICULTURE, FISHING & FORESTRY	12,3	-5,6	-0,3	-2,2	-2,0	1,0
Copra	-4,1	-6,2	-27,7	-7,4	-5,9	-0,8
Cattle	6,7	0,3	3,6	0,2	4,7	11,2
Cocoa	-9,2	-39,1	61,3	-51,1	15,7	79,5
Kava	357,1	-49,1	18,7	0,9	-40,4	0,3
Other Commercial Agriculture	-12,2	-15,5	25,0	-1,8	-9,6	5,2
Subsistence Agriculture	2,4	4,7	1,9	4,3	3,3	-2,4
Forestry and Logging	15,8	19,3	12,6	-42,9	-1,9	6,2
Firewood	5,7	5,8	2,8	5,4	0,4	3,6
INDSUTRY	10,5	5,1	0,2	-0,8	-4,6	0,6
Manufacturing	12,6	3,0	-1,7	-9,5	-12,1	3,6
Electricity	30,4	4,0	-5,6	14,6	2,3	-2,5
Construction	-3,9	10,2	8,0	2,3	-0,3	-1,3
Subsistence Construction	4,9	4,5	2,0	3,9	3,7	2,4
SERVICES	9,0	0,6	5,0	2,8	-4,6	3,7
Wholesale and Retail Trade	11,8	1,6	-0,5	0,2	-8,5	4,8
Hotels and Restaurants	7,4	3,6	19,6	-5,0	-8,9	0,5
Transport and Communication	2,2	-2,1	9,5	2,1	-4,9	7,6
Finance and Insurance	0,2	-3,6	11,1	26,1	-2,2	0,5
Real Estate and Business Services	5,1	3,1	5,5	4,2	-1,9	3,4
Government Services	15,9	1,7	3,5	3,1	3,5	2,8
Personal Services	19,5	-19,1	5,5	-10,7	-6,6	-7,3
Domestic Services	4,2	4,2	10,7	11,4	9,3	-0,4
Imputed Bank Service Charge	17,2	1,0	0,4	11,4	-7,4	0,8
GROSS DOMESTIC PRODUCT	9,4	-0,1	3,9	1,3	-4,0	3,1
GDP per capita	6,6	-2,6	1,2	-1,4	-6,6	0,4

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Table 9 GROSS DOMESTIC PRODUCT, by industry
At Constant (Average 1983) Prices

	In Million Vatu					
	1998	1999	2000	2001	2002	2003
AGRICULTURE, FISHING & FORESTRY	3 277	2 877	3 089	2 994	2 894	3 079
Copra	854	605	642	599	520	587
Cattle	238	240	240	234	242	271
Cocoa	122	75	133	66	72	111
Kava	285	148	222	239	191	204
Other Commercial Agriculture	86	72	80	88	76	73
Subsistence Agriculture	1 495	1 525	1 560	1 595	1 630	1 665
Forestry and Logging	129	142	139	99	87	91
Firewood	68	71	72	74	76	78
INDUSTRY	1 552	1 624	1 658	1 581	1 489	1 484
Manufacturing	746	771	746	655	569	573
Electricity	368	381	410	418	414	409
Construction	355	386	415	418	415	409
Subsistence Construction	83	86	87	89	91	94
SERVICES	13 155	12 931	13 114	12 878	12 178	12 385
Wholesale and Retail Trade	5 682	5 611	5 773	5 489	5 149	5 283
Hotels and Restaurants	940	958	1 042	987	892	894
Transport and Communication	1 758	1 731	1 738	1 719	1 544	1 530
Finance and Insurance	969	918	995	1 211	1 162	1 157
Real Estate and Business Services	1 065	1 077	1 105	1 083	1 039	1 062
Government Services	2 436	2 363	2 175	2 117	2 131	2 207
Personal Services	189	150	160	140	124	109
Domestic Services	116	121	126	132	137	143
less Imputed Bank Service Charge	768	764	748	803	730	732
GROSS DOMESTIC PRODUCT	17 216	16 668	17 113	16 650	15 832	16 216
Resident Population (mid year estimate)	182 000	186 678	191 700	196 900	202 241	207 727
GDP per capita	94 595	89 287	89 268	84 559	78 281	78 065

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Table 10 GROSS DOMESTIC PRODUCT, by industry
At Constant (Average 1983) Prices - Percentage change

	1998	1999	2000	2001	2002	2003
AGRICULTURE, FISHING & FORESTRY	8,6	-12,2	7,4	-3,1	-3,4	6,4
Copra	5,8	-29,2	6,1	-6,7	-13,2	13,0
Cattle	-3,3	0,7	0,2	-2,3	3,0	12,0
Cocoa	-15,0	-38,9	77,4	-50,3	8,9	53,8
Kava	317,3	-48,3	50,4	7,6	-20,1	6,6
Other Commercial Agriculture	-6,5	-16,5	11,9	10,3	-14,4	-3,8
Subsistence Agriculture	2,1	2,1	2,3	2,2	2,2	2,1
Forestry and Logging	-1,6	10,2	-2,0	-29,0	-11,6	3,9
Firewood	3,1	3,1	2,6	2,6	2,6	2,6
INDUSTRY	4,2	4,7	2,1	-4,7	-5,8	-0,3
Manufacturing	8,3	3,4	-3,3	-12,2	-13,1	0,7
Electricity	7,0	3,5	7,4	2,0	-1,0	-1,3
Construction	-5,6	8,8	7,5	0,8	-0,8	-1,5
Subsistence Construction	2,4	3,5	1,6	2,6	2,7	2,7
SERVICES	3,8	-1,7	1,4	-1,8	-5,4	1,7
Wholesale and Retail Trade	8,8	-1,2	2,9	-4,9	-6,2	2,6
Hotels and Restaurants	4,9	2,0	8,7	-5,3	-9,6	0,2
Transport and Communication	0,7	-1,6	0,4	-1,1	-10,2	-0,9
Finance and Insurance	-3,0	-5,2	8,4	21,7	-4,1	-0,4
Real Estate and Business Services	2,5	1,2	2,5	-1,9	-4,1	2,2
Government Services	-2,5	-3,0	-7,9	-2,7	0,7	3,6
Personal Services	15,8	-20,5	6,3	-12,7	-10,9	-12,4
Domestic Services	4,2	4,2	4,3	4,2	4,2	4,2
Imputed Bank Service Charge	13,5	-0,6	-2,1	7,4	-9,1	0,3
GROSS DOMESTIC PRODUCT	4,3	-3,2	2,7	-2,7	-4,9	2,4
GDP per capita	1,7	-5,6	0,0	-5,3	-7,4	-0,3

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Table 11 GROSS DOMESTIC PRODUCT, by industry

Implicit Price Deflators

	1998	1999	2000	2001	2002	2003
AGRICULTURE, FISHING & FORESTRY	170,1	183,0	169,8	171,4	173,8	165,1
Copra	123,6	163,8	111,5	110,8	120,1	105,5
Cattle	165,4	164,7	170,2	174,6	177,5	176,3
Cocoa	115,0	114,7	104,2	102,4	108,7	126,9
Kava	252,4	248,6	196,3	184,0	137,1	128,9
Other Commercial Agriculture	164,0	165,9	185,3	164,9	174,1	190,4
Subsistence Agriculture	186,5	191,4	190,7	194,6	196,6	188,0
Forestry and Logging	170,7	184,8	212,4	170,7	189,3	193,5
Firewood	171,0	175,4	175,7	180,5	176,6	178,3
INDUSTRY	191,4	192,2	188,8	196,5	199,0	200,9
Manufacturing	194,4	193,6	196,7	202,7	205,0	210,9
Electricity	165,4	166,1	146,0	164,0	169,3	167,2
Construction	208,4	211,2	212,3	215,5	216,6	217,1
Subsistence Construction	208,1	210,0	211,1	213,8	216,0	215,3
SERVICES	193,7	198,2	205,2	214,9	216,8	221,1
Wholesale and Retail Trade	185,9	191,2	185,0	195,0	190,2	194,3
Hotels and Restaurants	235,4	239,2	263,2	263,9	266,0	266,9
Transport and Communication	216,6	215,4	234,8	242,3	256,6	278,5
Finance and Insurance	208,0	211,7	217,0	224,9	229,3	231,4
Real Estate and Business Services	170,2	173,4	178,4	189,5	193,8	196,0
Government Services	176,3	184,9	207,8	220,2	226,4	224,7
Personal Services	230,8	234,8	233,2	238,6	250,1	264,7
Domestic Services	285,5	285,5	303,1	323,9	339,9	324,8
Imputed Bank Service Charge	208,2	211,6	216,8	224,9	229,3	230,5
GROSS DOMESTIC PRODUCT	188,3	194,4	196,7	204,8	206,7	208,2

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Table 12 AGRICULTURE SUMMARY

At Current Prices

	In Million Vatu					
	1998	1999	2000	2001	2002	2003
Copra						
Plantations	95	89	64	60	56	56
Small Holdings	961	902	652	604	568	563
Cattle						
Plantations	228	228	238	237	261	295
Small Holdings	166	167	171	172	168	183
Cocoa						
Plantations	26	16	26	13	15	26
Small Holdings	114	70	112	55	64	114
Coffee						
Plantations	6	1	0	1	1	1
Small Holdings	1	0	1	1	1	1
Kava	721	367	436	440	262	263
Poultry and Dairy	80	60	62	69	67	60
Fishing	38	42	68	56	43	54
Fruits and Vegetables	16	14	17	19	20	23
Subsistence Agriculture	2 788	2 920	2 975	3 103	3 205	3 130
Copra	108	139	98	100	111	100
Fishing	239	244	259	277	286	292
Poultry	10	15	15	15	16	16
Other Livestock	77	80	89	94	97	107
Kava	765	780	813	831	858	877
Fruits and Vegetables	1 588	1 661	1 701	1 786	1 839	1 738
Forestry and Logging	220	262	295	169	165	176
Firewood	117	124	127	134	134	139
TOTAL AGRICULTURE	5 576	5 263	5 245	5 132	5 030	5 082

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Table 13 AGRICULTURE SUMMARY

At Current Prices - Percentage Change

	1998	1999	2000	2001	2002	2003
Copra						
Plantations	-4,1	-6,2	-27,7	-7,4	-5,9	-0,8
Small Holdings	-4,1	-6,2	-27,7	-7,4	-5,9	-0,8
Cattle						
Plantations	4,1	0,2	4,2	-0,3	10,2	12,8
Small Holdings	10,4	0,3	2,7	0,9	-2,8	8,9
Cocoa						
Plantations	-9,2	-39,1	61,3	-51,1	15,7	79,5
Small Holdings	-9,2	-39,1	61,3	-51,1	15,7	79,5
Coffee						
Plantations	-39,2	-75,1	-92,7	1046,2	3,8	12,5
Small Holdings	8,8	-49,2	28,7	2,8	2,8	20,0
Kava	357,1	-49,1	18,7	0,9	-40,4	0,3
Poultry and Dairy	9,0	-24,5	3,2	11,4	-4,0	-9,4
Fishing	-34,6	11,0	61,5	-18,2	-23,2	24,9
Fruits and Vegetables	-12,8	-9,7	20,9	8,9	8,7	10,6
Subsistence Agriculture	2,4	4,7	1,9	4,3	3,3	-2,4
Copra	2,6	29,2	-29,2	1,6	10,8	-10,2
Fishing	-9,6	2,1	5,8	7,1	3,2	2,2
Poultry	-25,6	40,7	2,5	1,7	1,8	3,1
Other Livestock	5,5	3,8	10,4	6,0	2,8	11,0
Kava	2,2	2,0	4,2	2,2	3,2	2,2
Fruits and Vegetables	4,7	4,6	2,4	5,0	3,0	-5,5
Forestry and Logging	15,8	19,3	12,6	-42,9	-1,9	6,2
Firewood	5,7	5,8	2,8	5,4	0,4	3,6
TOTAL AGRICULTURE	12,3	-5,6	-0,3	-2,2	-2,0	1,0

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Table 14 AGRICULTURE SUMMARY

At Constant (Average 1983) Prices

	In Million Vatu					
	1998	1999	2000	2001	2002	2003
Copra						
Plantations	77	54	58	54	47	53
Small Holdings	777	551	584	545	473	534
Cattle						
Plantations	137	138	140	136	147	167
Small Holdings	100	101	101	99	95	104
Cocoa						
Plantations	22	14	24	12	13	20
Small Holdings	100	61	109	54	59	90
Coffee						
Plantations	4	1	0	1	1	1
Small Holdings	1	0	0	0	0	1
Kava	285	148	222	239	191	204
Poultry and Dairy	55	43	44	48	46	40
Fishing	17	18	25	29	17	17
Fruits and Vegetables	9	9	10	11	12	14
Subsistence Agriculture	1495	1525	1560	1595	1630	1665
Copra	75	76	78	80	81	83
Fishing	135	138	141	144	147	151
Poultry	10	11	11	11	11	12
Other Livestock	45	47	49	51	52	52
Kava	300	306	313	320	327	334
Fruits and Vegetables	929	947	968	989	1011	1033
Forestry and Logging	129	142	139	99	87	91
Firewood	68	71	72	74	76	78
TOTAL AGRICULTURE	3277	2877	3089	2994	2894	3079

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Table 15 AGRICULTURE SUMMARY

At Constant (Average 1983) Prices - Percentage change

	1998	1999	2000	2001	2002	2003
Copra						
Plantations	5,8	-29,2	6,1	-6,7	-13,2	12,9
Small Holdings	5,8	-29,2	6,1	-6,7	-13,2	13,0
Cattle						
Plantations	-5,6	0,7	0,8	-2,8	8,4	13,6
Small Holdings	0,1	0,8	-0,7	-1,7	-4,3	9,6
Cocoa						
Plantations	-15,0	-38,9	76,6	-50,0	8,9	54,3
Small Holdings	-15,0	-38,9	77,6	-50,3	8,9	53,7
Coffee						
Plantations	-44,1	-69,7	-92,9	1015,5	1,0	12,5
Small Holdings	0,0	-38,1	25,0	0,0	0,0	20,0
Kava	317,3	-48,3	50,4	7,6	-20,1	6,6
Poultry and Dairy	4,5	-21,0	1,9	8,2	-4,5	-11,6
Fishing	-16,6	5,8	36,4	13,9	-41,4	3,9
Fruits and Vegetables	-17,9	-9,0	23,1	3,8	11,1	12,5
Subsistence Agriculture	2,1	2,1	2,3	2,2	2,2	2,1
Copra	2,1	2,1	2,2	2,2	2,2	2,2
Fishing	2,1	2,1	2,2	2,2	2,2	2,2
Poultry	2,2	2,1	2,2	2,2	2,2	2,2
Other Livestock	2,0	3,9	5,3	2,6	2,6	0,3
Kava	2,2	2,0	2,2	2,2	2,2	2,2
Fruits and Vegetables	2,1	2,0	2,2	2,2	2,2	2,2
Forestry and Logging	-1,6	10,2	-2,0	-29,0	-11,6	3,9
Firewood	3,1	3,1	2,6	2,6	2,6	2,6
TOTAL AGRICULTURE	8,6	-12,2	7,4	-3,1	-3,4	6,4

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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.

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 has 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 subsistence, plantation, smallholdings and other commercial agriculture. Production data on agricultural crops, fish, cattle and forestry are obtained from the Vanuatu Commodity Marketing Board (VCMB), 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 and cocoa are based on volumes of these commodities received by VCMB, and Exporters 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

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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 subsistence agriculture, such as 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, 2001, 2002 and 2003, 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.

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 annual business survey, supplemented by VAT sales data collected by the Department of Customs and Inland Revenue.

The wholesale and retail industry also includes Exporter authorities as VCMB substitute, 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

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

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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.

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.