

The Gross Domestic Product Report - 2006

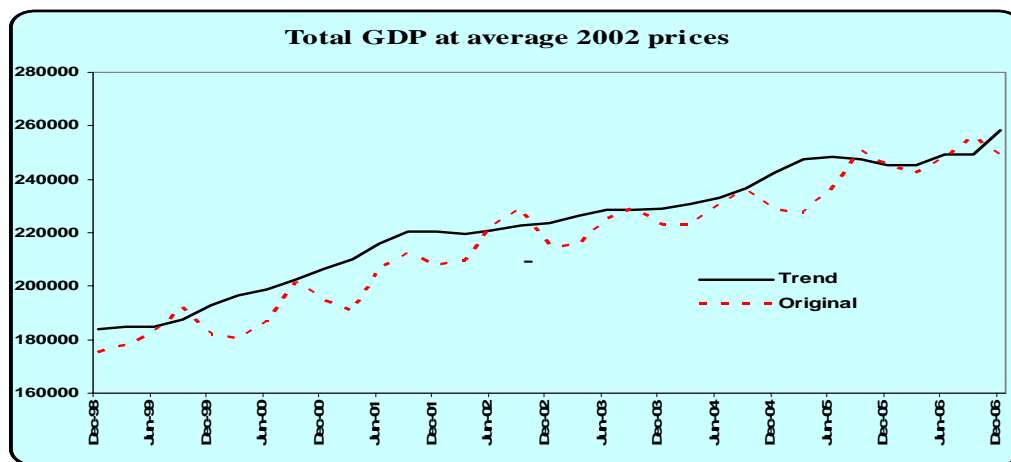
This Annual National Accounts Report presents the detailed analysis and revisions made to the Gross Domestic Product estimates released in the Quarterly Economic Review for December quarter 2006.

Overview of the results

Economic activity flattened out during late 2005 and early-mid 2006 following the notable economic performance in late 2004 and early-mid 2005. The apparently low real annual growth of 2.6% in 2006 reflects the gradual easing off of some of the construction activities towards the end of 2005 and continuing declines into the early part of 2006 in fishing, agriculture and Yazaki production – all of these sectors have been affected by adverse factors outside the influence of economic policy.

Despite the annual growth falling significantly from 5.2% in 2005 to 2.6% in 2006, a result lower than the targeted figure of 3-4% stipulated in the SDS, economic performance towards the end of 2006 was extremely strong and underpins a very favorable outlook for 2007. It is clearly illustrated in Chart 1 below that the pattern of the underlying growth in the economy was far more prominent at the end of 2006 than it was at the end of 2005. The apparent growth in the year 2005 was due mainly to rapid growth in 2004 leading to a high starting point for 2005, while growth through the year was then actually only 1.2%. In contrast, the strong and widespread resurgence in the economy towards the end of 2006 resulted in a very healthy 6.1% real increase between December 2005 and December 2006.

Chart 1: Trend estimates of real GDP – Dec 1998 : Dec 2006



The very strong real growth in trend GDP in the second half of 2006 means that the economy entered 2007 at a much higher level than it was 12 months previously. As a result of this pattern of growth, even if the economy were to remain flat through 2007 real GDP would still grow by 5 per cent in annual terms. However, if economic activity in the second half of 2007



is boosted by activities related to the South Pacific Games, then real GDP growth for 2007 would be over 5%.

GDP Level:

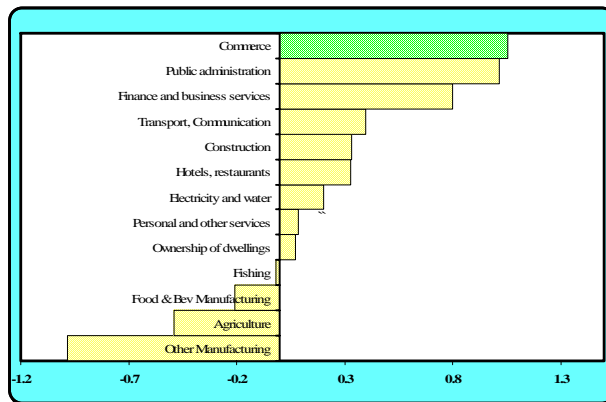
Gross Domestic Product at current market prices for the year was estimated at \$1.25 billion, an increase of 8.5% compared to the revised nominal GDP of \$1.15 billion in 2005. At this level, GDP per capita was \$6,972 tala (US\$2,631).

Real GDP reached \$1.02 billion in 2006, with latest data showing lead-in growth rates of 5.2%, 3.4% and 3.1% for 2005, 2004 and 2003 respectively. Monetary Sector production accounted for 87.4% of total production in 2006, and grew by 3.2% from the 2005 level. Real output in the Non-Monetary Sector, principally subsistence agriculture, declined by 1.6% over the 2005 level.

**Gross Domestic Product of Samoa, 2002 - 2006
Market Prices**

<i>(Million SAT)</i>	2002	2003	2004	2005	2006
At current prices	885.0	949.2	1049.4	1151.7	1249.4
At constant 2002 prices	885.0	912.6	943.3	991.8	1017.2
Real annual growth	1.8%	3.1%	3.4%	5.2%	2.6%

Chart.2 Industry contributions to overall growth – 2006



Commerce comprised the largest share of GDP (21.3% in 2006) and was the most important contributor to overall growth, accounting for 1.1 percentage points. This strong growth in Commerce reflects a substantial increase in consumer spending power, due mainly to public sector salary and wage

increases, coupled with the strong growth in remittances (up by 25% in 2006).

As illustrated in Chart 2, other industries making significant contributions were: Public Administration; Finance and Business Services; Transport and Communication; Construction, and Hotels and restaurants, contributing a collective 2.6% to growth in 2006. As shown above, some other industries made minor positive contributions to growth, while the Fishing industry made no contribution as it maintained its low level due to continued poor catches. There were negative contributions from Other Manufacturing (-1.0%), Agriculture (-0.5%) and Food and Beverage Manufacturing (-0.2%).

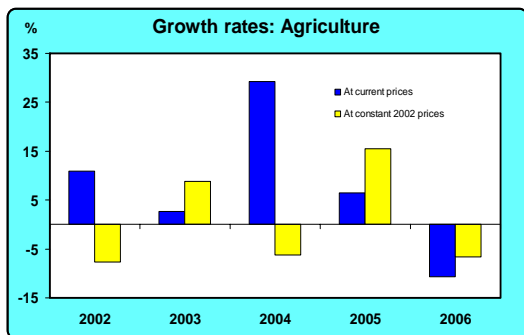
Summary of Results by Industry:

2006

Agriculture:

Agriculture production declined in nominal terms by 10.6% to accumulate a total value added of \$78.4 million. At this level, its share of GDP dropped from 7.6% in 2005 to 6.3%. This decline reflects a decrease in the quantity of agricultural produce supplied to the Fugalei Market – it was own by 18.6% compared to 2005. This substantial loss in agricultural production gave rise to a major increase in imports of substitutes such as rice, flour and other related food items – these increased in aggregate by 16.6% compared to 2005.

Chart 3: Agriculture Value Added – Growth rates, 2002 – 2006



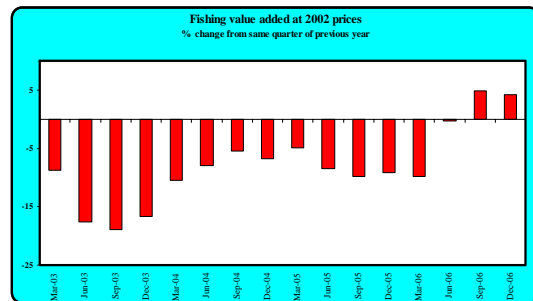
In real terms Agriculture production recorded a negative growth of 6.6%, after a notable achievement in 2005 that registered real growth of 15.5% compared to 2004. This severe turnaround translated into a negative 0.5% contribution to overall growth. The industry’s disappointing performance was indicative of its vulnerability to the bad weather conditions that were experienced through most of 2006.

Fishing:

Fishing industry remained the leading exporter and comprised more than half of the total export value (53%). In 2006 the industry generated a total value added of \$63.9 million, a share of 5.1% of total GDP.

Illustrated in Chart 4, the Fishing industry has experienced a major and prolonged recession, with an average annual negative growth of 7.2% over the past 5 years. The production difficulties facing the industry were predominantly due to the apparent out-migration of the tuna species from Samoa’s Exclusive Economic Zone exacerbated by frequently bad weather conditions. However, there were signs in late 2006 of a small resurgence – this along with some anecdotal evidence of better fish catches in 2007 offers the first hope for some years of a recovery in this industry which has significant potential to generate positive flow-on effects to the Samoan economy.

Chart 4: Fishing Value Added – Quarterly Growth rates, 2002 – 2006



Shown in Chart 4 is the recent recovery of the industry with quarter on quarter growth rates of 4.9% and 4.2% in the September and December 2006, after a period of sustained recession. This latest recovery provided a significant offset to the big fall in early 2006, with the overall performance during the year leading to a slight decline of only 0.4% from 2005 – this fall was too small to make any impact on the overall growth in GDP.

Food and Beverage Manufacturing:

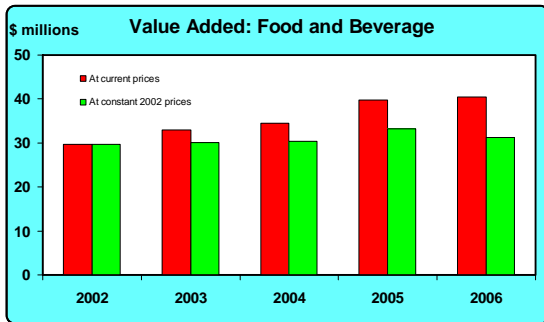
Food and Beverage Manufacturing activities in nominal terms have been consistently positive with an average annual percentage change of 10.5% in the past 4 years. However, in 2006 this industry’s aggregated value added increased by only 1.9% to



reach \$40.5 million – as a result its 3.2% share of GDP in 2006 was down slightly compared to the 3.5% in 2005, reflecting the faster growth in other industries.

In constant 2002 prices, production declined by 6.3% contributing a negative -0.2 percentage points to the overall growth. This poor performance came after very strong growth of 9.5% in 2005. The unfavourable performance was attributed to declines in production in some of the export processing companies, namely the nonu juice and nonu fruit, and a relatively flat year of production by Vailima that led to declining exports of beer. These three categories of exports fell in value during 2006 by 52%, 44% and 28%, respectively.

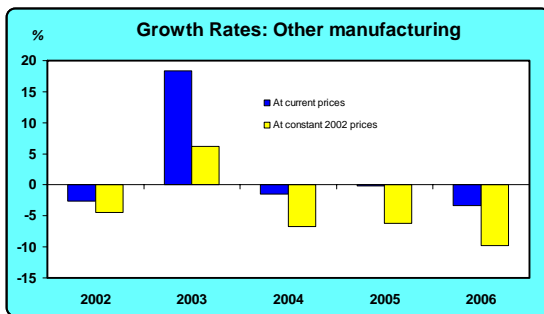
Chart 5: Food and Beverage Manufacturing Value Added at Current and Constant 2002 market Prices



Other Manufacturing:

Other Manufacturing remained the third largest industry behind Commerce and Transport and Communication. This was despite its share of GDP declining significantly from 13.4% as in 2003 to 9.7% in 2006, with a total nominal value added of \$90.2 million.

Chart 6: Other Manufacturing Value Added – Growth rates, 2002 – 2006



This decline was also apparent in the values at constant 2002 prices, in which Other Manufacturing

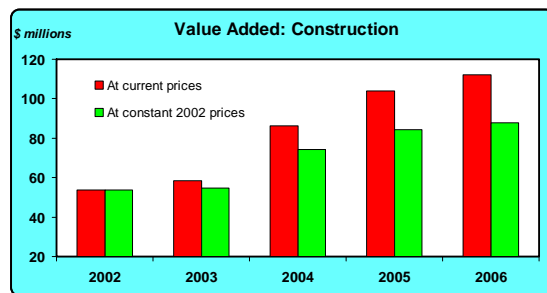
declined by 9.8% in 2006, following declines of 6.8% and 6.2% in 2004 and 2005 as shown in Chart 6. The weak performance by the third largest industry translated into a very significant negative contribution of 1.0 percentage points to the overall growth of GDP. Underpinning the very poor result was predominantly the very low production of the Yazaki company with its estimated value added declining by 13.5%, together with a slight decrease of 1.9% in the other segments of Non-food and beverage manufacturing.

Construction:

Construction remained at a high level in 2006, although growth flattened out somewhat from the very strong increases in 2004 and 2005. In current market prices, construction value added generated \$111.9 million with its share of total GDP at 9.0%.

Chart 7 clearly shows the huge shift in the levels from an average level of \$55 million in 2002 and 2003 to more than \$100 million in 2006. This significant increase in value added was translated into the ranking of construction going from being the eighth largest industry in 2002 to the fifth largest in 2006.

Chart 7: Construction Value Added at Current and Constant 2002 market prices



In real terms, construction sector accumulated a total value added of \$87.7 million, a real increase of 3.9% compared to 2005, following notable achievements in 2004 and 2005 with increases of 35.6% and 13.7%, respectively. The growth in the industry has been stimulated by the ongoing construction works in preparation for the South Pacific Games, the Development Bank premises, and a range of major commercial and residential buildings. The sector is likely to slowdown in 2007 with the completion of these major works.

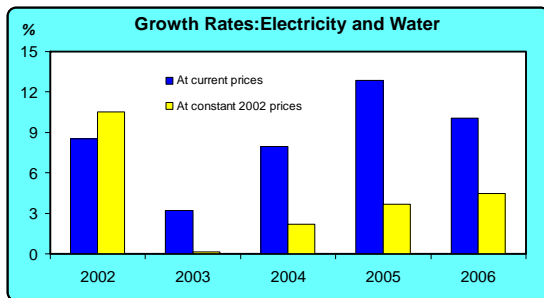


Electricity and Water:

Electricity and Water Industry production was at \$58.2 million in 2006. Despite being one of the smaller industries in size with a share of 4.7% of GDP, its growth is vital in supporting growth in other sectors.

In 2006, the Electricity and Water Industry generated a value added of \$46.7 million in real terms, an increase of 4.4%, following the 3.7% growth in 2005. The outturn reflects the increasing demand for electricity for developments in most sectors of the economy,

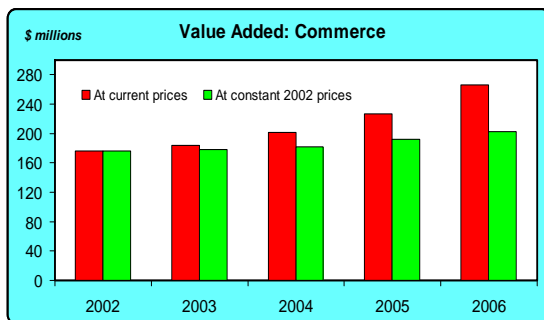
Chart 8: Electricity and Water- Growth rates, 2002 – 2006



including major construction works and the considerable number of new connections around the country and in the new settlement areas like Vaitele-Fou. Ongoing infrastructural and Institutional Strengthening works to improve water management and water quality throughout Samoa assisted the growth.

Commerce:

Chart 9: Commerce Value Added at Current and Constant 2002 market prices



Commerce in nominal terms expanded at an average annual change of 11.5% in the past 5 years, reflecting the increasing monetarisation of the

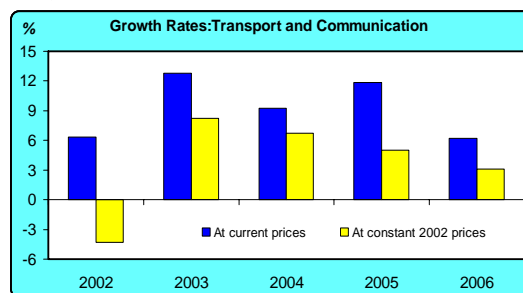
Samoan economy. During 2006 the industry accumulated a total value added of \$266.7 million in current market prices, an increase of 17.6% compared to the year 2005 and representing a share of 21.3% of total GDP.

In real terms, Commerce sector continued its pattern of steady growth with an increase of 5.4% in 2006. In combination with its major share of 19.9% of GDP, Commerce was the major contributor to the overall growth, adding 1.1 percentage points. This strong growth in Commerce was fuelled by increases in consumer incomes, with major factors being the general salary and wage increase and the very strong growth in remittances, which were up by 25% in 2006.

Transport and Communication

Transport and Communication activities have been and will continue to provide significant support to all sectors of the economy through the provision of information and technology, communication and transportation services. With such an important role the industry generated a nominal value added of \$153.1 million in 2006. Transport and Communication is the second largest industry behind Commerce, with a share of 12.3%.

Chart 10: Transport and Communication – Growth rates, 2002 – 2006



In real terms, Transport and Communication total production was \$130.8 million, an increase of 3.1% compared to 2005 and contributing 0.4 percentage points to the overall growth. This growth was lower compared to the average annual growth in the past 4 years of 3.9%, although there was very strong growth towards the end of 2006 as Digicel rapidly expanded communication services.

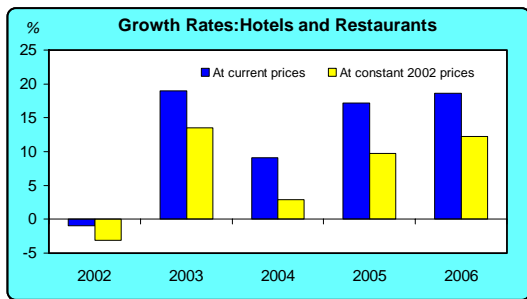
Hotels and Restaurants:



Hotels and Restaurants economic activity continued to grow in 2006, and the latest increase of 18.6% exceeding the marked increase of 17.2% in 2005, which had driven by occasions such as the Official Opening of the LDS Temple, church conferences, regional meetings, and the opening of the newly located Aggies Resort at Mulifanua.

Hotels and Restaurants total production in nominal terms stood at \$37.3 million in 2006.

Chart 11: Hotels and Restaurants: Growth rates, 2002 – 2006



The industry, in constant 2002 prices, generated a total value added of \$29.7 million, up by 12.2% compared to the previous year. Despite being small with a share of only 3.0% of GDP, this strong growth in Hotels and Restaurants has considerable potential to generate employment benefits for the rural areas, as well as generating benefits that could filter down to other sectors of the economy; community activities in particular.

Finance and Business Services

The Finance and Business Services sector has been the most consistent and fastest growing industry in the Samoan economy, recording an average annual growth rate in the past 5 years of 8.3%.

Chart 12: Finance and Business Services Value Added at Current and Constant 2002 market prices

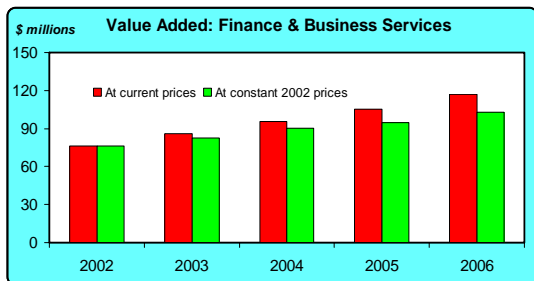


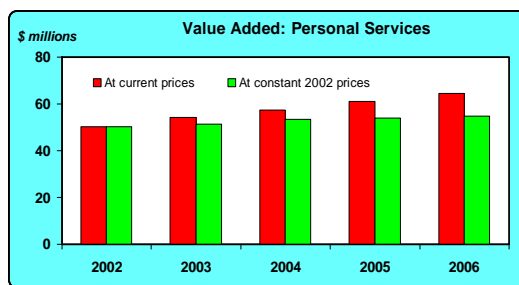
Chart 12 clearly shows the steady increase in the industry’s production level at both current and constant market prices from 2002 to 2006. Value added in nominal terms generated by the industry in 2006 was \$117.2million.

In constant 2002 prices, this industry generated a total value added in of \$102.6 million, an increase of 8.3% compared to 2005, and contributing 0.8 percentage points to overall GDP growth. This prominent growth is indicative of the expanding numbers of businesses offering financial services, increasing demand for credit in the banking system, complemented by growth in the high value added professional services such as legal and accountancy firms, business management consultancy, architectural and engineering, real estate and other professional services.

Personal and Other Services

Personal and Other Services have continued to contribute significantly to the Samoan economy as a result of economic structural changes, together with the change in peoples’ lifestyle. Value added generated by the industry in 2006 added up to \$64.5 million, and comprised a share to GDP of 5.2%.

Chart 13: Personal and other Services Value Added at Current and Constant 2002 market prices



In constant 2002 prices, the Personal and Other Services industry grew by 1.6% and contributing 0.1 percentage points to overall growth in the year 2006. This industry has grown at an annual average rate of 1.9% over the past 5 years.

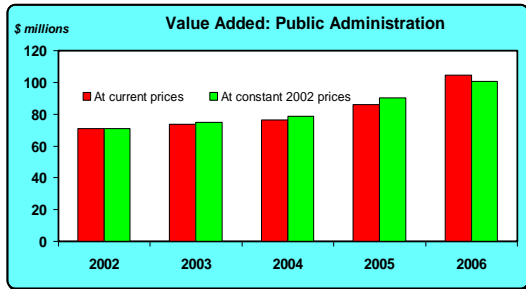
Public Administration

Public Administration is the 6th largest industry in the economy. In 2006, general government value added that being the total salaries and wages plus other forms of remuneration added up to \$104.4



million, to represent a share of 8.4% of GDP at current prices.

Chart 14: Public administration Value Added at Current and Constant 2002 market prices



In constant 2002 prices, value added by public administration was \$100.5 million in 2006, leading to a positive contribution of 1.0 percentage points to growth in GDP.

Table 3: GDP by industry - percentage distribution

	2002	2003	2004	2005	2006	Average 2002:2006	Mar-02	Jun-02	Sep-02	Dec-02	Mar-03	Jun-03
At current prices												
<i>Agriculture</i>	7.0	6.7	7.9	7.6	6.3	7.1	7.6	7.7	6.9	6.0	6.4	6.6
<i>Fishing</i>	7.7	6.1	5.8	5.2	5.1	5.9	7.6	8.0	7.6	7.4	6.6	6.1
<i>Food & Beverages manufacturing</i>	3.4	3.5	3.3	3.5	3.2	3.4	3.2	3.3	3.3	3.6	3.5	3.4
<i>Other manufacturing</i>	12.2	13.4	12.0	10.9	9.7	11.5	11.5	11.9	12.5	12.7	12.7	14.3
<i>Construction</i>	6.1	6.2	8.2	9.0	9.0	7.8	6.2	6.2	6.1	5.9	5.9	5.9
<i>Electricity and water</i>	4.8	4.6	4.5	4.6	4.7	4.6	5.0	4.8	4.8	4.4	4.9	4.7
<i>Commerce</i>	19.9	19.4	19.2	19.7	21.3	20.0	19.7	19.8	19.9	20.3	20.1	19.7
<i>Hotels, restaurants</i>	2.3	2.6	2.6	2.7	3.0	2.7	2.3	2.3	2.3	2.4	2.5	2.5
<i>Transport, Communication</i>	11.8	12.4	12.3	12.5	12.3	12.3	11.8	10.8	12.0	12.6	12.3	11.4
<i>Public administration</i>	8.0	7.8	7.3	7.5	8.4	7.8	8.2	8.2	7.9	7.8	8.0	7.9
<i>Finance and business services</i>	8.6	9.0	9.1	9.1	9.4	9.1	8.5	8.7	8.7	8.5	8.6	9.0
<i>Less: Enterprise share of FISIM</i>	-1.2	-1.2	-1.3	-1.2	-1.2	-1.2	-1.2	-1.2	-1.1	-1.1	-1.2	-1.3
<i>Ownership of dwellings</i>	3.8	3.8	3.7	3.7	3.7	3.7	3.7	3.8	3.7	3.8	3.9	3.9
<i>Personal and other services</i>	5.7	5.7	5.5	5.3	5.2	5.4	5.7	5.7	5.6	5.7	5.8	5.9
Total GDP	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
At constant 2002 prices												
<i>Agriculture</i>	7.0	7.4	6.7	7.4	6.7	7.0	7.2	6.8	7.0	7.0	7.7	7.1
<i>Fishing</i>	7.7	6.3	5.6	4.9	4.8	5.8	7.6	8.0	7.6	7.5	6.6	6.4
<i>Food & Beverages manufacturing</i>	3.4	3.3	3.2	3.4	3.1	3.3	3.2	3.3	3.3	3.5	3.4	3.2
<i>Other manufacturing</i>	12.2	12.5	11.3	10.1	8.9	10.9	11.7	12.2	12.4	12.3	11.9	13.4
<i>Construction</i>	6.1	6.0	7.9	8.5	8.6	7.5	6.3	6.2	6.0	5.7	5.8	5.7
<i>Electricity and water</i>	4.8	4.6	4.6	4.5	4.6	4.6	4.9	4.9	4.9	4.4	4.7	4.8
<i>Commerce</i>	19.9	19.5	19.3	19.4	19.9	19.6	19.7	19.9	19.8	20.3	20.4	20.1
<i>Hotels, restaurants</i>	2.3	2.6	2.6	2.7	2.9	2.6	2.3	2.4	2.3	2.4	2.5	2.5
<i>Transport, Communication</i>	11.8	12.4	12.8	12.8	12.9	12.6	11.9	10.9	12.0	12.5	12.2	11.3
<i>Public administration</i>	8.0	8.2	8.4	9.1	9.9	8.8	8.1	8.2	8.0	7.9	8.2	8.3
<i>Finance and business services</i>	8.6	9.1	9.6	9.6	10.1	9.4	8.5	8.8	8.7	8.4	8.5	9.0
<i>Less: Enterprise share of FISIM</i>	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2	-1.1	-1.1	-1.2	-1.2
<i>Ownership of dwellings</i>	3.8	3.7	3.7	3.6	3.5	3.6	3.8	3.8	3.7	3.6	3.8	3.8
<i>Personal and other services</i>	5.7	5.6	5.7	5.4	5.4	5.5	5.9	5.8	5.6	5.4	5.6	5.7
Total GDP	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Selected measures of production:												
At current prices-												
<i>Non-monetary</i>	14.1	13.6	14.4	13.8	12.9	13.7	14.8	15.0	13.9	12.8	13.6	13.8
<i>Monetary - total</i>	85.9	86.4	85.6	86.2	87.1	86.3	85.2	85.0	86.1	87.2	86.4	86.2
<i>Monetary - restricted scope</i>	77.0	76.4	77.1	78.9	80.8	78.2	76.8	76.3	76.9	77.7	76.8	75.5
						76.0						
At constant 2002 prices-												
<i>Non-monetary</i>	14.1	13.8	13.1	13.1	12.6	13.3	14.6	14.3	13.9	13.6	14.0	13.9
<i>Monetary - total</i>	85.9	86.2	86.9	86.9	87.4	86.7	85.4	85.7	86.1	86.4	86.0	86.1
<i>Monetary - restricted scope</i>	77.0	76.9	78.9	80.1	81.7	79.0	76.9	76.8	77.0	77.2	77.0	76.0

Sep-03	Dec-03	Mar-04	Jun-04	Sep-04	Dec-04	Mar-05	Jun-05	Sep-05	Dec-05	Mar-06	Jun-06	Sep-06	Dec-06
7.2	6.6	7.9	7.7	8.0	7.8	7.6	8.5	7.7	6.8	6.5	6.3	6.7	5.6
5.8	6.0	5.9	5.7	6.0	5.6	5.6	5.0	5.0	5.1	4.7	4.9	5.2	5.5
3.4	3.7	3.5	3.3	3.2	3.2	3.8	3.5	3.2	3.4	3.8	3.4	2.8	3.0
13.9	12.8	12.1	12.0	12.0	11.8	10.9	11.3	11.1	10.3	9.0	9.0	10.0	10.7
6.1	6.7	7.4	8.4	8.6	8.5	8.5	8.8	9.3	9.4	8.7	8.7	9.2	9.2
4.6	4.2	4.5	4.4	4.4	4.5	4.5	4.5	4.8	4.6	4.7	4.8	4.6	4.5
18.4	19.3	19.5	19.3	18.8	19.4	19.9	19.4	19.3	20.2	21.1	21.7	21.3	21.2
2.7	2.6	2.3	2.6	2.7	2.6	2.7	2.7	2.7	2.8	2.9	3.0	2.9	3.1
12.6	13.3	12.3	11.6	12.3	12.9	12.5	11.9	12.7	13.0	12.7	12.1	12.0	12.3
7.6	7.6	7.5	7.5	7.2	7.0	7.0	7.5	7.5	7.8	7.9	8.5	8.4	8.6
9.3	9.2	9.0	9.3	9.0	9.1	9.3	9.2	9.0	9.0	9.9	9.5	9.2	9.0
-1.2	-1.2	-1.2	-1.3	-1.2	-1.3	-1.3	-1.3	-1.2	-1.2	-1.3	-1.2	-1.2	-1.1
3.8	3.8	3.8	3.8	3.7	3.6	3.6	3.7	3.6	3.7	3.8	3.9	3.7	3.6
5.7	5.5	5.5	5.6	5.4	5.3	5.4	5.4	5.2	5.2	5.4	5.4	5.1	4.8
100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
7.3	7.5	6.2	5.6	6.9	8.0	7.0	7.2	7.4	7.9	6.9	6.4	6.9	6.7
6.0	6.1	5.8	5.7	5.5	5.3	5.1	4.9	4.8	4.7	4.6	4.9	4.8	4.7
3.2	3.4	3.5	3.3	3.1	3.1	3.8	3.4	3.1	3.2	3.6	3.3	2.6	2.9
13.0	11.9	11.5	11.4	11.3	11.0	10.3	10.6	10.3	9.2	8.1	8.3	9.1	9.8
6.0	6.5	7.2	8.1	8.3	7.9	8.0	8.4	8.9	8.7	8.2	8.4	8.9	8.9
4.7	4.3	4.7	4.6	4.6	4.5	4.4	4.4	4.8	4.4	4.5	4.8	4.6	4.5
18.5	19.0	19.5	19.6	18.9	19.3	19.8	19.3	19.1	19.3	20.0	20.4	19.7	19.6
2.7	2.6	2.3	2.6	2.7	2.6	2.6	2.7	2.6	2.7	2.6	2.4	3.5	3.2
12.8	13.3	12.8	12.1	12.9	13.3	13.1	12.4	12.4	13.3	13.1	12.6	12.6	13.1
8.2	8.1	8.4	8.6	8.4	8.1	8.3	9.0	9.4	9.7	10.1	10.3	9.7	9.4
9.4	9.4	9.7	10.0	9.4	9.3	9.7	9.7	9.5	9.4	10.4	10.2	9.9	9.8
-1.2	-1.2	-1.2	-1.3	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2	-1.3	-1.2	-1.1
3.7	3.6	3.8	3.8	3.7	3.5	3.6	3.6	3.6	3.5	3.6	3.7	3.5	3.4
5.6	5.6	5.9	5.9	5.6	5.3	5.6	5.6	5.4	5.2	5.4	5.6	5.4	5.2
100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
13.9	13.1	14.7	14.5	14.7	13.9	14.0	14.4	13.8	12.9	13.2	13.1	13.2	12.4
86.1	86.9	85.3	85.5	85.3	86.1	86.0	85.6	86.2	87.1	86.8	86.9	86.8	87.6
75.8	77.6	76.7	77.1	76.7	77.9	78.4	77.9	78.7	80.5	81.2	81.3	80.5	80.3
13.7	13.5	13.1	12.7	13.3	13.4	12.9	13.2	13.2	13.1	13.0	12.8	12.6	11.9
86.3	86.5	86.9	87.3	86.7	86.6	87.1	86.8	86.8	86.9	87.0	87.2	87.4	88.1
76.7	77.8	78.6	79.3	78.6	78.9	79.8	79.6	80.0	81.0	82.0	82.0	81.6	81.3