

GROSS DOMESTIC PRODUCT ESTIMATES

2002 ANNUAL REPORT

The National Accounts estimates in the 2002 Report incorporate the latest revisions to input data such as the Annual Fishing Statistics produced by MAFF, VAGST and some minor changes to the Exports provided by the Central Bank of Samoa. As a result annual and quarterly GDP estimates for the last two quarters of 2001 have been revised slightly. Gross Domestic Product (GDP) for Samoa is measured at market prices.

Overview

After two years of robust performance, Samoan economy weakened in 2002. The slowdown in the economy provides a clear picture of the uncertainty in the domestic economy in relation to the unstable global economy.

Analysis of the preliminary estimates shows current price GDP to have amounted to \$890.4 million in 2002, up by 4.9% from the revised \$849.7 million in 2001. This was the lowest growth after the 9.7%, 10.9% and the 6.1% in the previous three years. (Table 2) At this level it is equivalent to a per capita income of \$5035.

On the Sector level, Monetary Sector production aggregated a total value added of \$766.9 million equivalent to 86.1% of total production. The Non-Monetary Sector, principally consisting of subsistence agriculture, contributed \$118 million.

The chart below shows GDP level at Current and Constant prices from 1997 to 2002.

Chart 1: GDP at market Prices, 1997 to 2002

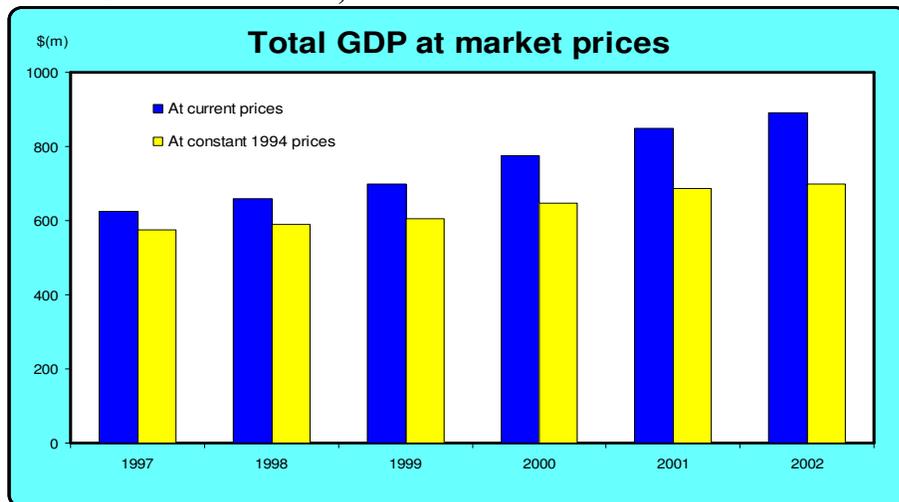


Table 1: Gross Domestic Product of Samoa 1998 – 2002 at market prices
Market Prices

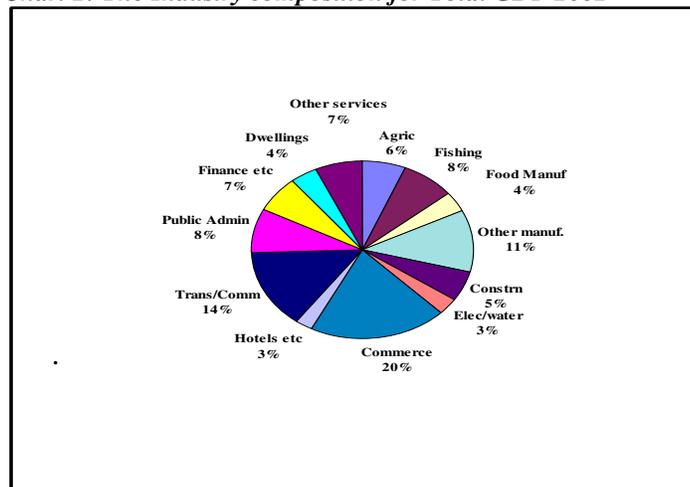
(Million SAT)	1998	1999	2000	2001	2002
At current prices	658.7	698.9	774.8	849.7	890.4
At constant 1994 prices	589.2	604.4	646.3	686.2	698.6
Real annual growth	2.4%	2.6%	6.9%	6.2%	1.8%

Composition of GDP

The Industry composition at current price for 2002 is shown in Statistical Annex Table 3 and Chart 2.

Chart. 2 clearly outline Samoa’s economic structure being dominated by the Services sector accounted for 62% of the economy, whereby Commerce and Transport & Communication were the dominant industries producing around 19.8% and 14.4% of the total value added respectively placing them as the leading “industries” in the Samoan economy.

Chart 2: The Industry composition for Total GDP 2002



On the downturn, Secondary sector performed very poor in 2002. Other Manufacturing and Construction being the main contributors to growth in 2001, declined by 1.6 and 1.5 percentage points respectively.

On the other hand Food and Beverage Manufacturing has shown a promising return, with the expansion of the Vailima Breweries company and the continuous growth in the export markets of other coconut products such as coconut cream, copra meal and others. The newly established company, DESSICO promises future prospects in this area given its increase demand from overseas markets. The re-opening of the Coconut

oil mill is hoping to stimulate more economic activities in this sector.

The share of Agriculture and Fisheries being the backbone of the Samoan economy in the past years, remained at 14% in 2002. This is of a concern given its importance in the daily life and diet as well as in its cultural context.

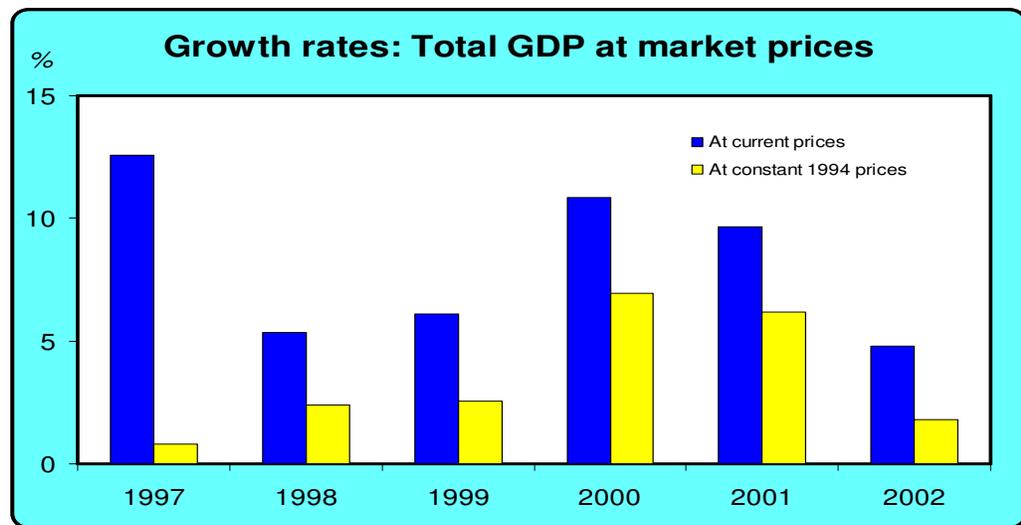
Fishing recorded a share of 8%, its lowest since 1998. The loss in the Fishing industry was attributed to a combination of low prices and very low catches, as net effect of changes of weather changes all throughout 2002. This was down by 0.4% when compared to 2001.

Growth in GDP:

Aggregate GDP in real values was \$698.6 million, an increase of 1.8%. This follows robust performances in the last two years of 6.9% in 2000, and a revised 6.2% in 2001. This represents an average annual rate of real growth of 4.4% over the last four years.

Chart 3 shows a continuous positive growth in the Samoan economy. This is an indicative measure of responsible fiscal and monetary policies Government has put in place to promote sustainable economic growth as a pre-condition for enhanced quality of life.

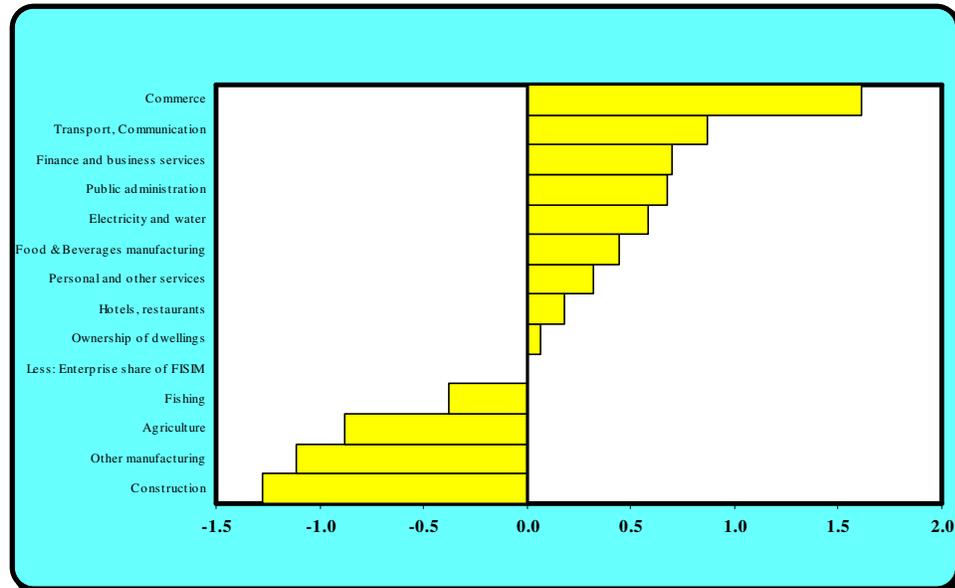
Chart 3. GDP growth rates at Current and Constant Prices.



Major contributors to growth in GDP

Chart 4 below and Table 4 show the extent to which different industries have contributed to growth in real GDP for 2002.

Charts 4: Percentage contributions to change in real GDP 2001



Of the 1.8% growth, Commerce was the biggest contributor accounted for 1.6 percentage points. This strong growth in the Commerce Industry was driven by the increase in remittance inflows received during 2002, which reflected in the 9.2% increase in Money Supply in December 2002.

Other industries making significant contributions were Transport and Communications, Finance and Business Services, Public Administration and Electricity and Water contributing 0.9%, 0.7%, 0.7% and 0.6% respectively.

On the downside, Construction and Other Manufacturing being the engine of growth in the past three years registered negative contributions of 1.3% and 1.1% to the economy. Agriculture and Fishing Industry were also down by 9.1% and 4.8% respectively.

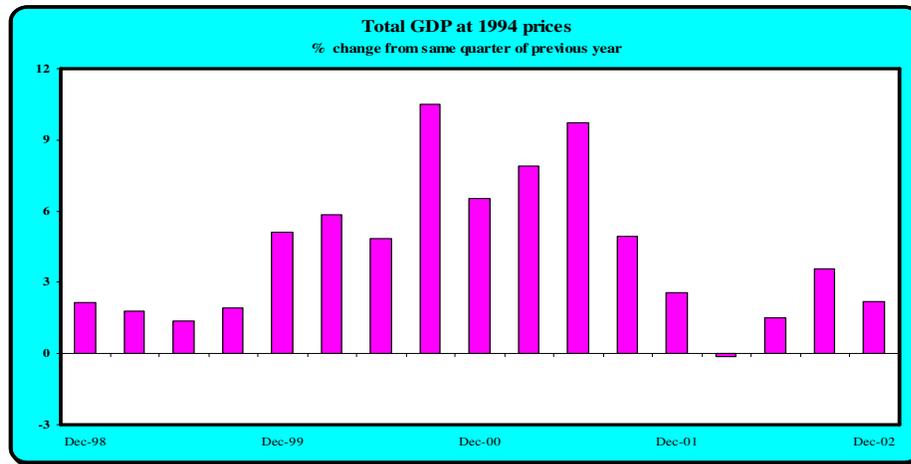
Quarterly Performances

On quarterly performance, the third and fourth quarter were the most productive period in the year 2002 contributing an average of more than 26% of total GDP. However, Chart 5 illustrates the quarter on the corresponding quarter changes over the previous years.

Over the past three years growth was consistently positive on a quarter-on-quarter basis. The first quarter in 2002 was noted registering a decline of

0.1% compared to the corresponding quarter. The following quarters came back with an average growth of 2.4%.

Chart 5: Percentage change from the same Quarter of last year



Between the two end points – December 1998 and December 2002 – there was a trend rate of real growth in total GDP of 1.3 percent per quarter, equivalent to an average annual rate of approximately 4.0%. In current prices there has been positive annual quarterly growth rates in the non-monetary component of the economy. Performance of the individual industry category is discussed in the following sections

Primary Sector: Agriculture and Fishing

Primary Sector in current price in 2002 stood at \$127.1 million, presenting an increase of 4.2% change over the previous year and contributed 0.6% to the nominal growth. The increase in nominal terms was primarily due to price increases in most of the agricultural produce supplied to the market, coincided with the 8.1% increase in the annual inflation rate in 2002. Fishing has showed no significant change in current prices for the period.

Agriculture:

Agricultural production at current prices in 2002 was \$56.2 million, contributing 6.3% share of the overall GDP estimates. This was equivalent to an increase of 10% when compared to 2001. The increase in nominal terms reflected the increased prices of most of the agricultural produce such as taro, banana, head cabbage, cucumbers and other vegetables supplied to the market. This was mainly due to the high level of productivity in the third and the first quarter registering increases of 23% and 12.6% respectively when compared to 2001. The result was coincided with the 8.1% increase in the annual inflation rate in 2002, with a marked increase of 20% in the local food group index in December 2002.

Chart 6: Agriculture value added, at current and constant prices

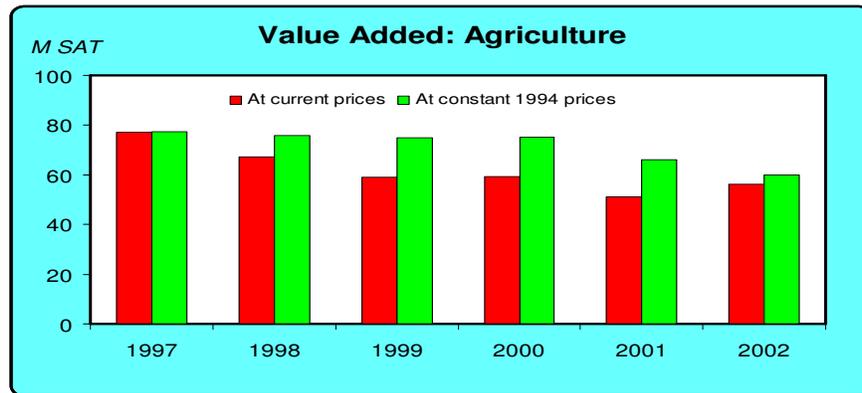


Chart 6 highlights the Agriculture Industry value added at Current and Constant Prices. As can be seen from the chart, value added in constant prices has continuously higher than current prices. This is primarily due to higher prices in the base year as effects of the two cyclones, the taro leaf blight and other pests diseases which affected the Agriculture sector in the early 90's.

At constant 1994 prices, Agriculture stood at \$60.1 million, accounted for 8.6% of total GDP in 2002

Chart 7: Agriculture: annual growth rates

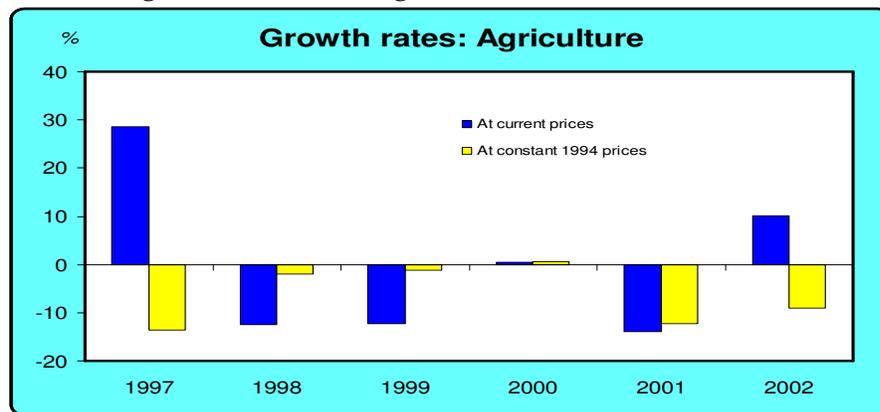


Chart 7 shows annual growth rates from previous year for agricultural production. At the level of \$60.1 million, Agriculture registered a real decline of 9.1%. What also signifies in the chart is the continuation of negative contribution of the industry's share in terms of real output, which led to the -0.9 percentage point to the overall growth in the GDP. The continued decline in the Industry production was again shown by a decline in quantity supply of fresh produce supplied to Fugalei market in 2002, down by 10%.

Associated with the downfall in the domestic market, world prices for export of other agricultural products like copra, and the closing down of markets for kava, hindered the level of production.

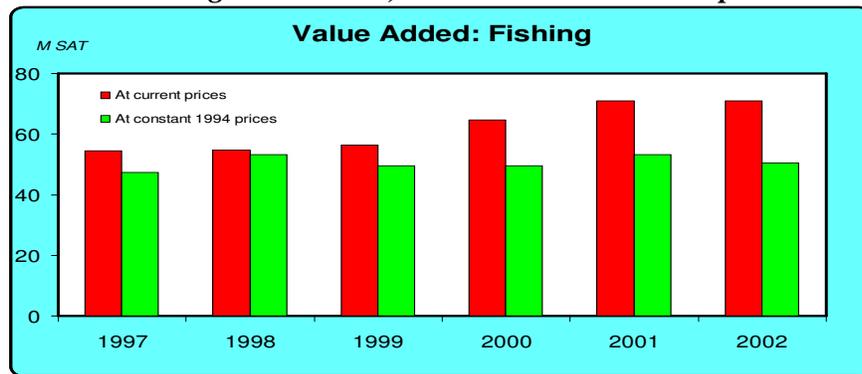
On the quarterly basis, the overall change of -9.1 over 2001 was strongly influenced by the second and third quarters of 2002 accounted for -12.1 and -11.8 percentage respectively.

All these shocks faced by the industry shattered Government's effort in reviving the sector in the past years. Nevertheless, the re opening of the local coconut mill together with the increase demand in the exports of coconut products (dessicated coconut) is prominent in boosting the industry performance in the near future.

Fishing:

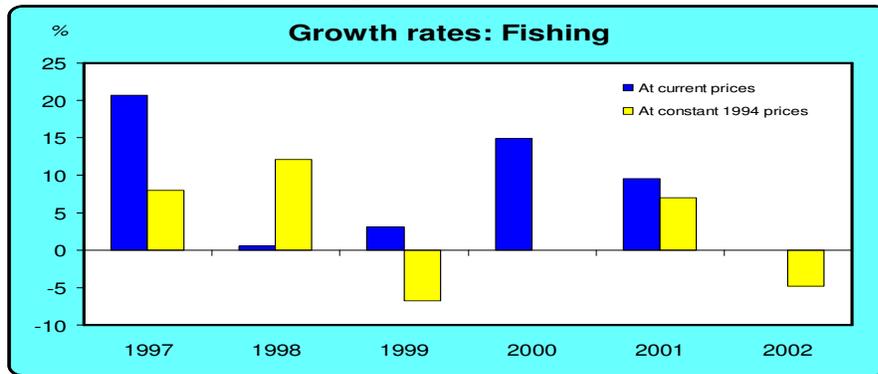
The Fishing industry in 2002 has experienced a slowdown after a remarkable performance in the past two years. In spite of this downfall, fishing remained the fifth largest industry in the ranking. Total value added for fishing at current prices in 2002 was \$70.9 million accounting for 8.0% share of total GDP. The outturn was evident of the obstacles such as the weather changes and the drop in market prices in overseas markets. Value added in nominal terms remained static at the same level as was in 2001, as barred by Chart 8.

Chart 8: Fishing value added, at current and constant prices.



In constant 1994 prices, fishing industry value added was \$50.57million accounted for 7.2 percent of the total GDP. This was equivalent to a decline of 4.8%, after a huge increase of 7% in 2001. The industry performance was due to a combination of very low prices in the markets and a decline in the catch. This was complemented by a decline in fish export value, dropped by 20 percent.

Chart 9: Fishing: annual growth rates.



Shown in the Chart 9 is the industry performance being very volatile, and being easily influenced by external shocks such as changes in weather pattern and also by market forces.

Secondary Sector: Manufacturing, Construction and Electricity & Water

Introduction:

The overall performance by the Secondary Sector weakened in 2002. The poor performance by the sector was attributed to the performance of the two leading industries in 2001 being overturned to register a decline of 6.2%. Furthermore, the big fall has more than to offset the improved performance by the Food and Beverage and Electricity and Water industries. Food and Beverages Manufacturing and Electricity and Water performed considerably well improving by 13.5% and 19.4% compared to 2001.

Manufacturing: Food and Beverage

Food and Beverage Manufacturing in 2002 contributed \$31.4 million to nominal GDP, an increase of 19.3% over last year and contributed 0.6 percentage point to the 4.8% overall growth in current prices. Despite of its smaller size in the Samoan economy (3.5%), the industry performance in 2002, reveals its significant role in boosting the economic performance.

Chart 10: Food and Beverage manufacturing, at current and constant prices

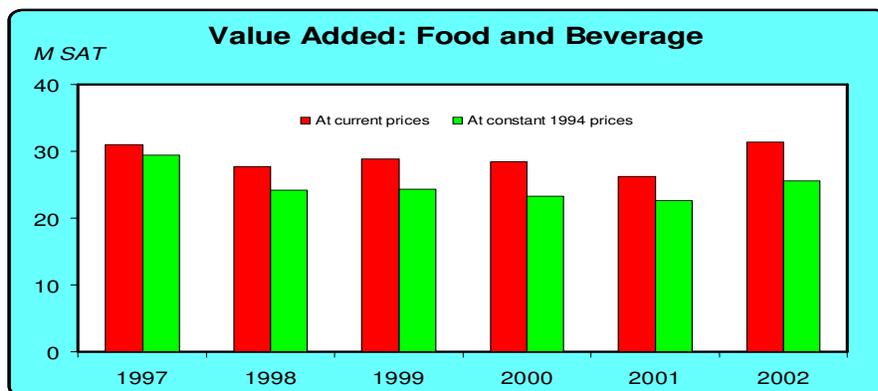
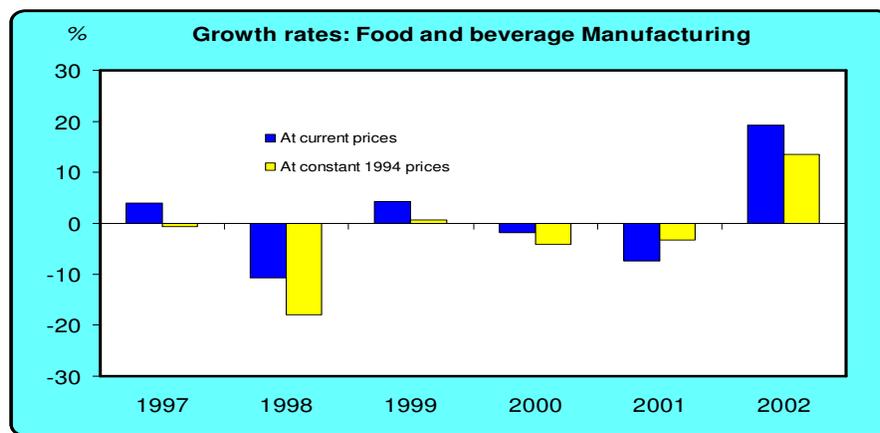


Chart 10 illustrates the total value added of Food and Beverage manufacturing in nominal and real terms from 1997 to 2002. As can be seen in the Chart 10 total value added in 2002 was the highest ever since the beginning of the series.

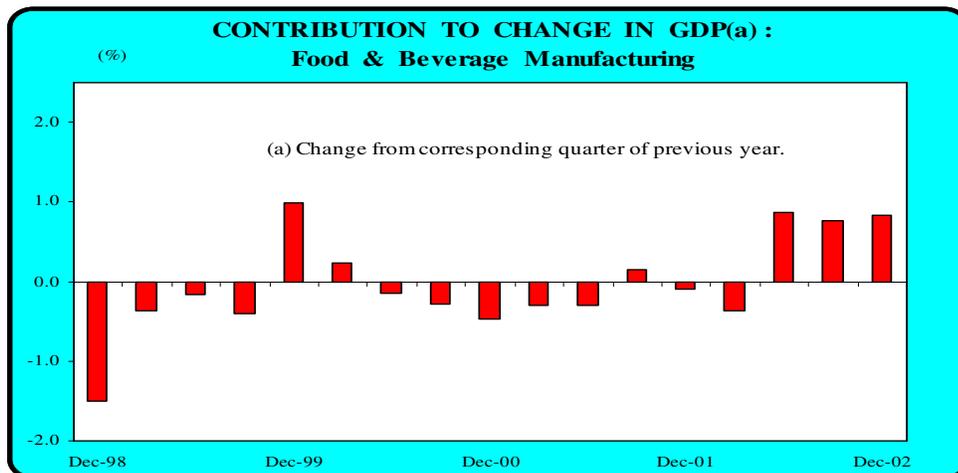
Clearly shown in the Chart 10, the industry is seeing to be recovering from death in the past 5 years. This is encouraging in view of the industry's role in assisting the Agriculture, through transforming agricultural produce into secondary products, in line with the diversification of exports that the Government is promoting, to promote exports and to revitalise agriculture industry.

Chart 11: Food and Beverage Manufacturing : annual growth rates



In constant 1994 prices, Food and Beverage Manufacturing produced a total value added of \$25.6 million, a real growth of 13.5% after decline of 4.1% and 3.3% in 2000 and 2001 respectively. The marked increase of 13.5% for the period, was a result of a remarkable performance by the Breweries company which exports increased by 33.7% in 2002. What is also promising, is the robust performance of the new established company Dessico, producing dessicated coconut that complement the continuous production of other coconut products such as the coconut cream, coconut oil and nonu juices.

Chart 12 : Food and Beverage Manufacturing, contribution to change in GDP



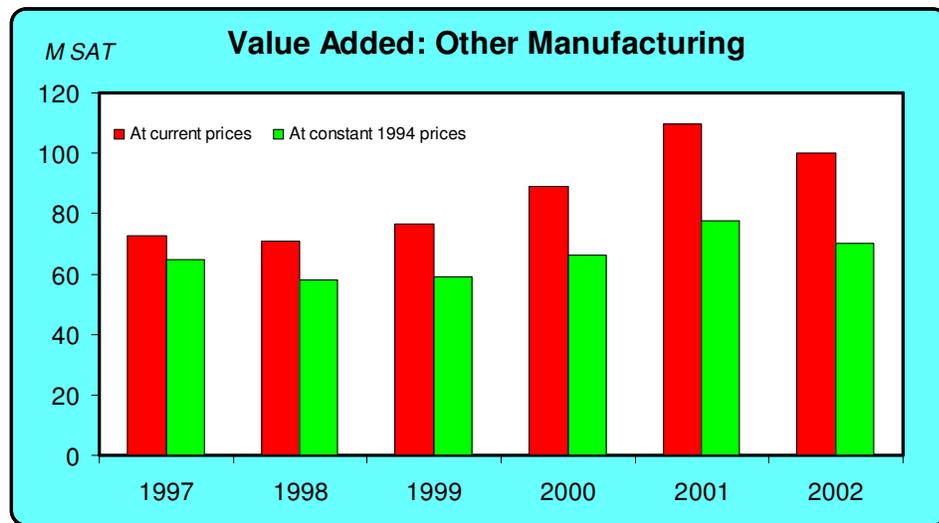
As shown in the Chart 12 much of the growth for the year was concentrated in the last three quarters of 2002. This reinstates the significant role Coconut oil mill has played in the development of this industry, given its re-opening in the last half of 2002

Other Manufacturing (*Manufacturing of goods other than food and beverages*)

Other Manufacturing in the 2002 has had a contrasting performance compared to 2001. This was expected in view of the uncertainty in the global economy influencing the major markets, dominant industries in this sector, Yazaki Samoa and the Pacific Cashmere are supplying.

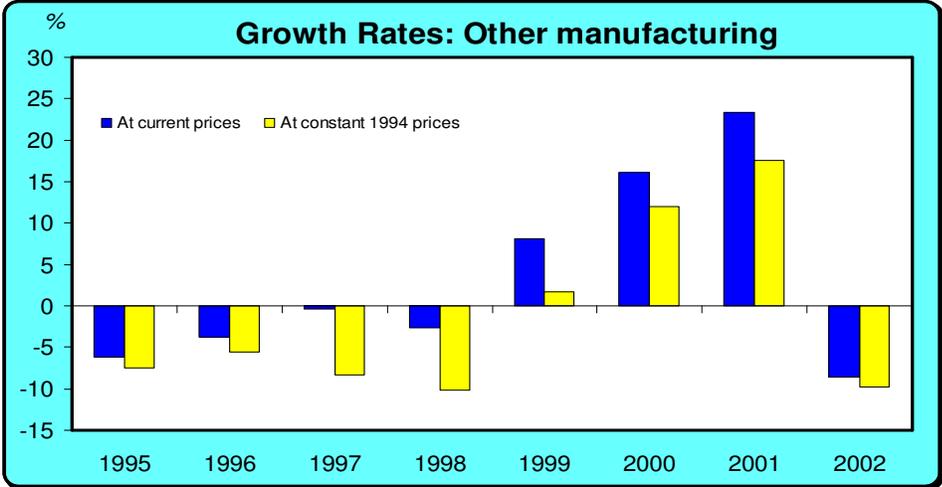
In current prices, Other manufacturing produced a total value of goods amounted to \$100.2 million. Of this level, the industry's shares of the overall GDP reduces from a 13% in 2001 to 11.3% in 2002. In spite of that, the industry remained as the third largest industry in the economy.

Chart 13: Other Manufacturing, at current and constant prices



Other manufacturing in constant 1994 prices estimated a value added of \$70.2 million, a decline of 9.8%, after two consecutive years of robust performance registering increases of 12% and 17.5% in 2000 and 2001 respectively. This is illustrated in Chart 14.

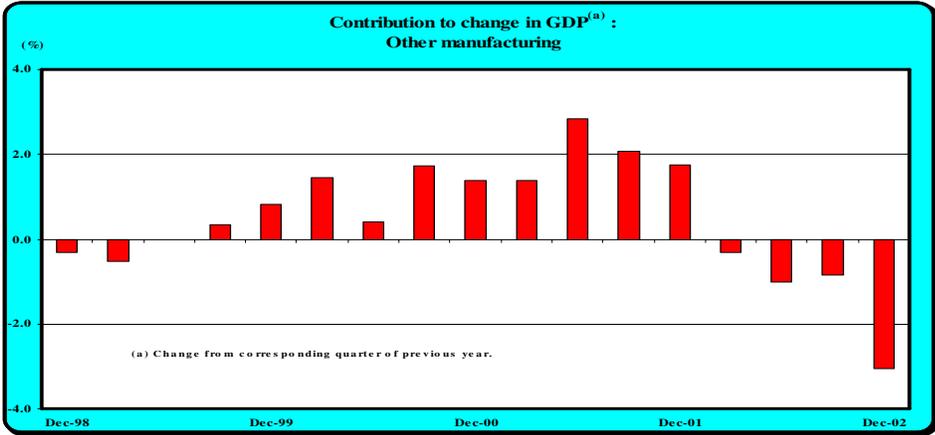
Chart 14: Other Manufacturing, annual growth rates



The downturn in the industry was dragged by the poor performance of the two overseas based companies namely Yazaki and Pacific Cashmere whose exports declined by 7% and 19% respectively in the year. This highlights the dependency of the industry on the performance of the overseas markets, mainly the Motor Vehicle Industry in Australia and US markets for warm clothes produced by the Pacific Cashmere. In addition to that, performance of other manufacturing companies such as producers of building materials was down by 21.9%.

Chart 15 shows the performance of the industry, on a quarterly basis. As indicates, the industry registers negative contributions all throughout the four quarters in 2002 after a successful performance in the past 10 consecutive quarters.

Chart 15: Other Manufacturing, contribution to change in GDP

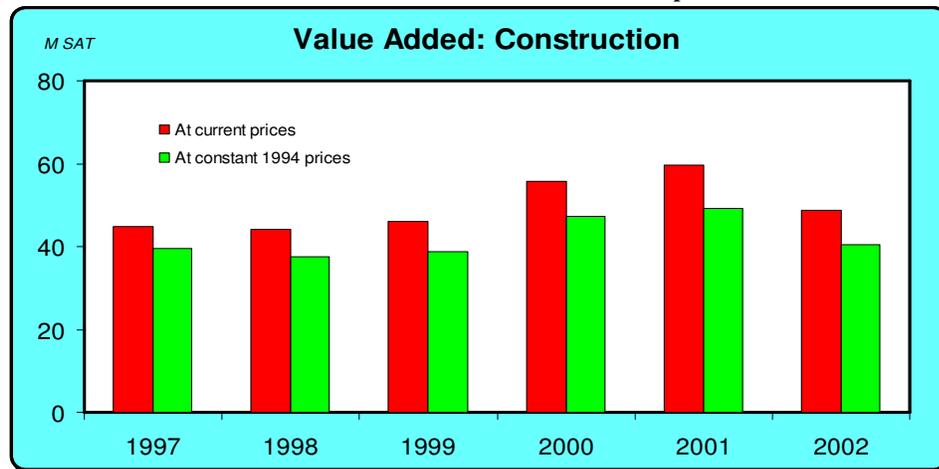


Construction:

Construction in the year 2002 amounted to \$48.7 million, a decline of 18.3% when compared to 2001. The outturn has put pressure on the secondary sector performance contributing negatively (4.9%) to the

overall decline of 1.6 percent in the sector. Consequently, the industry share of total GDP falls from 7.0 % in 2001, to 5.5% of total GDP in 2002.

Chart 16: Construction value added at current and constant prices



In constant 1994 prices, the Construction value added was \$40.4 million, decline by 17.9% compared to 2001. The downfall in the industry was expected given the nature of the industry being influenced by level of Government spending on development projects. Results is therefore in line with the completion of some of the major Public Sector investment projects such as the Infrastructure Asset Management Project, Rural Water Supply, Tank Farm, Education Infrastructural Project and many other small projects. Private Sector with investments like Mormon Church buildings, Australian and New Zealand High Commissions main offices and the SPREP Headquarter at Vailima also supplemented the growth in the past years.

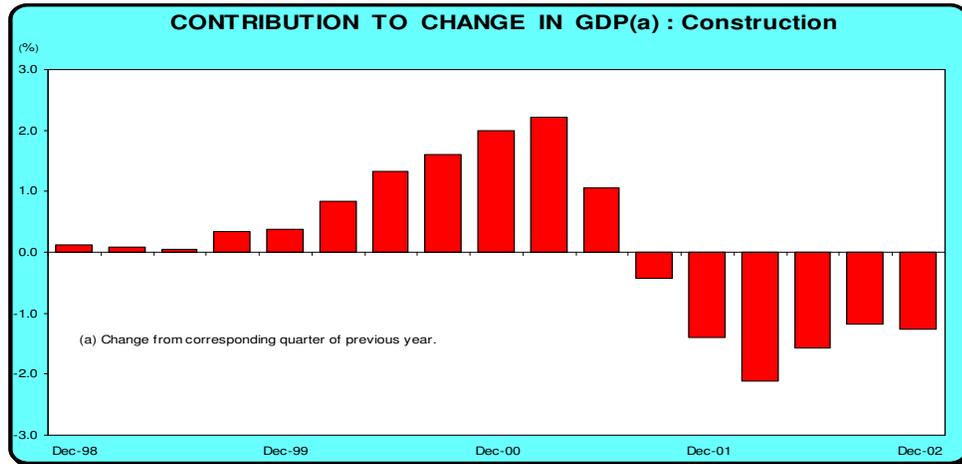
Chart 17: Construction value added, annual growth rates



Chart 17, summaries the trend of annual growth rates of construction industry from 1997 up to 2002. A big downturn in 2002, is in line with the decline in the production of local construction materials down by 17.2%.

In terms of quarterly estimates, the last two quarters of the 2001 together with the four quarters in 2002 continue to contribute negatively to the real growth with quarterly average of 1.1 percentage points. The contrasting picture shown in the chart reflects the significance of Government’s role in leading developments to stimulate economic activities.

Chart 18: Construction: contribution to real growth in quarterly GDP



Electricity and Water:

The Electricity and Water Industry consists entirely of two public bodies, the Water Authority and the Electric Power Corporation.

Electricity and Water aggregated a total value added of \$27.1 million in 2002. This was a 6.3% higher than the level in 2001. Despite of the increase in value added level compared to the previous years, the industry maintained its position as the second smallest industry in holding a 3% share of the economy

Chart 19: Electricity and Water, value added at current and constant prices

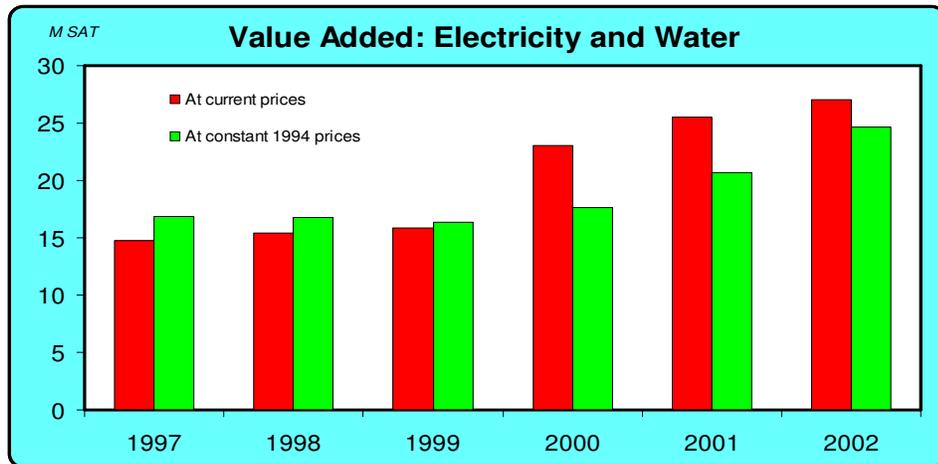


Chart 19 represents the total value added for nominal and real GDP from 1997 to 2002.

In constant 1994 prices, this industry's production level was at \$24.7 million, constitute of 3.5% of the real GDP for 2002. As a result, Electricity and Water contributed a 0.6 percentage points, the highest ever since the start of the estimates in 1995. The improved performance by the Industry is indicative of the positive impact of Institutional Strengthening projects undergoing by the two Public Bodies, and the high demand being met through the implementation of the Rural Water Supply and Rural Electrification projects.

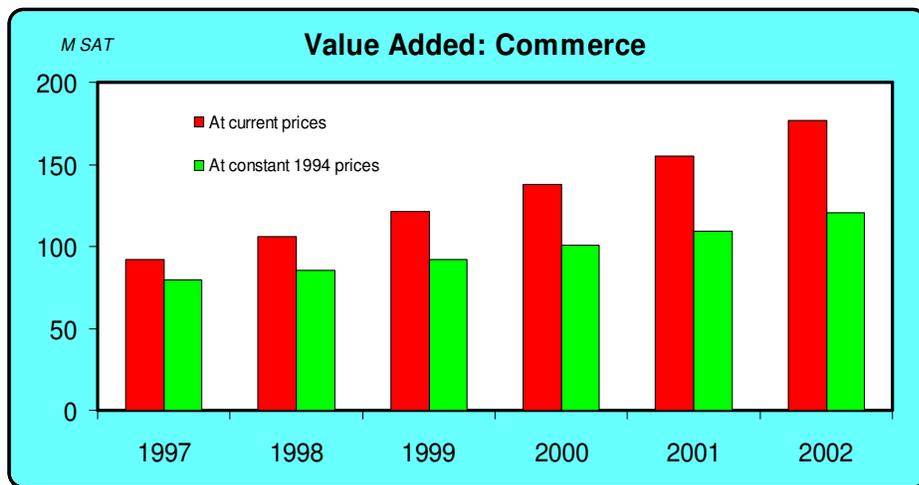
Tertiary Sector: *Transport & Communication, Commerce, Finance & Business Services, Personal Services and Hotels and Restaurants*

Structural changes have been occurred in the Samoan economy in the past 10 years, and Services sector now constituted of more than 60% share of the total GDP has increased from 48% in the early nineties to dominate the activities. Between 1998 and 2002, the Tertiary Sector value added grew by 47% in nominal terms and 17% at constant prices.

Commerce:

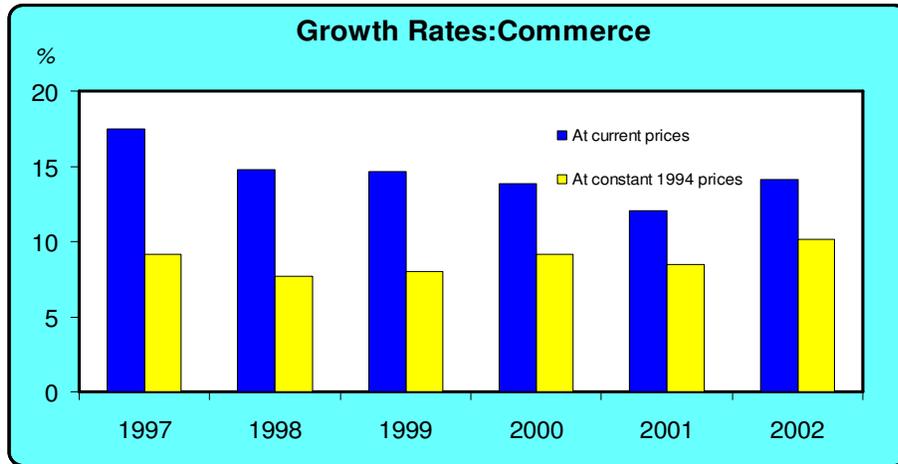
Commerce continued to play a dominant role in the Samoan economy, with a value added of \$176.5 million in 2002 constituted of 19.8% of total GDP and one-fifth of all monetary activity. The prominence of the industry was a result of continuous refinements to the tariff rates, the proliferation of small store as part of assistance provided through SBEC to promote small businesses and strengthen village economy. Certainly, wholesaling and retailing activities were widely spread throughout Samoa

Chart 20: Commerce : annual value added



Commerce playing a dominant role in the economy, registered a real growth of 10.1% when compared to 2001, and contributed 1.6% to the overall growth.

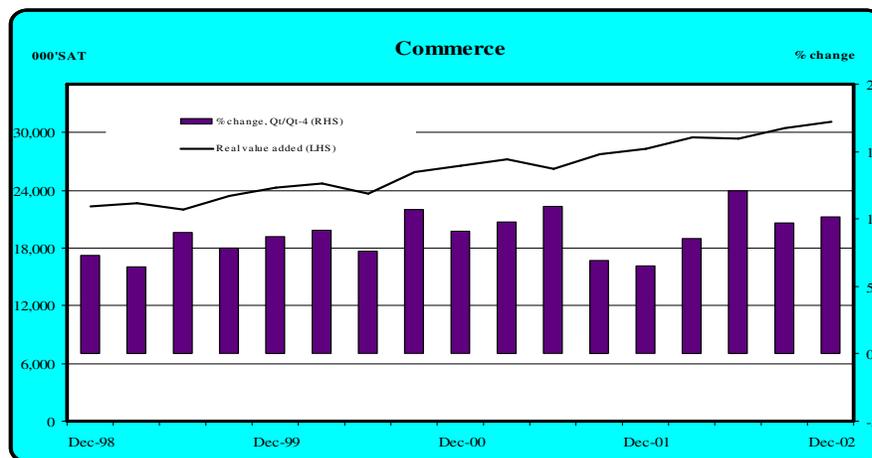
Chart 21: Commerce : Annual growth rates



On a quarterly basis, it has been increasing in real terms at 2.2 per cent per quarter since December 1998 compared with the total GDP growth of 1.3% per quarter.

As can be seen from Chart 22, there was sustained growth through the series. The result of 2002 was associated with refinements to tariff rates and an increase of 17% in the inflow of private remittance received for the year 2002. This trend is in line with the upward trend of the money supply (M2) recording an increase of 9.2% in December.

Chart 22: Commerce : quarterly value added at constant prices & growth rates

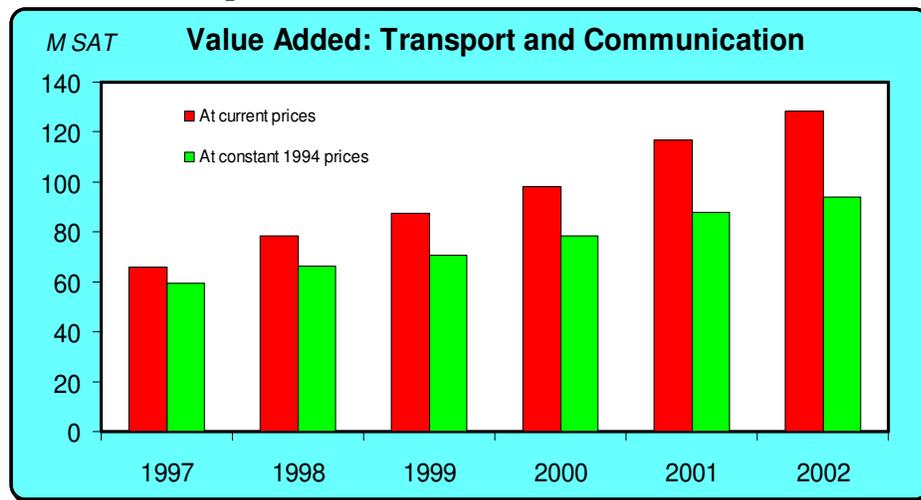


Transport and Communication

Transport and Communication has continued to provide support in the development of almost every sector of the economy, in providing the latest efficient medium for communication and the transportation of goods and travel for the public. The increasing demand of these services from different sectors of the economy together with the Government's commitment in providing infrastructure, strengthened the industry to constitute 14.4% of the total GDP, and ranked second behind Commerce in 2002 from being fourth in 1994.

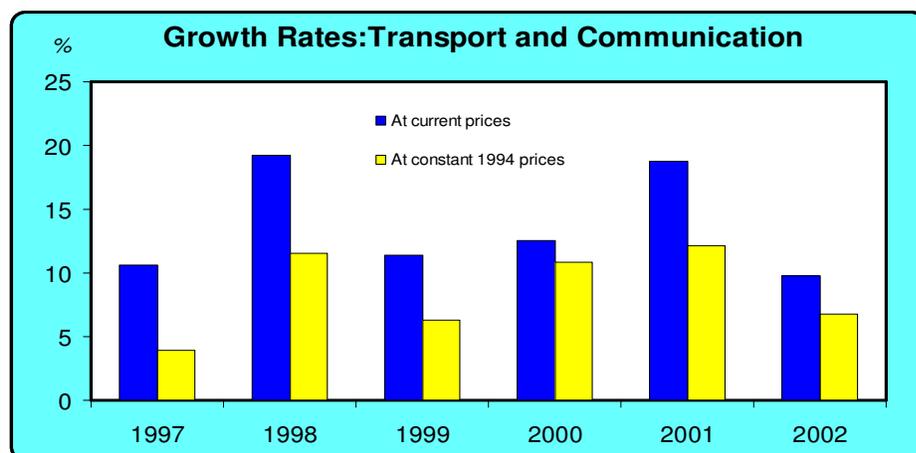
In 2002 the industry recorded a total value added of \$128.2 million.

Chart 23: Transport and Communication: annual value added



In 1994 prices, Transport and Communications produced a total value added of \$93.9 million. At this level it represents a real increase of 6.8%. This follows very strong growth rates of 12.2% and 10.9% in 2001 and 2000 respectively, and contributed a 0.9 percentage points to the overall growth.

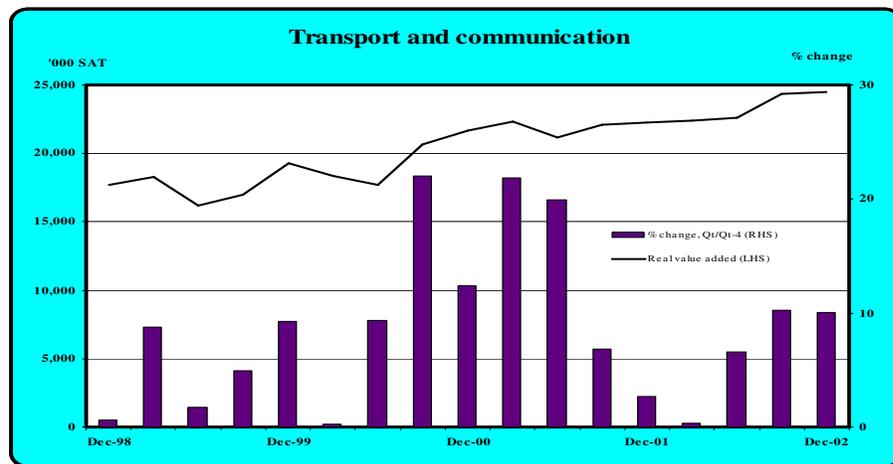
Chart 24: Transport and Communication: annual growth rate



Certainly, Communication was the main force behind the growth of this industry. This moderate growth was attributed to the Government's commitment in providing firm infrastructure like the Fibre Optic Project, which complemented the utilization of modern telecommunication medium such as cellular phone and the Internet.

Further was the continuous effort in developing the road network, which resulted in an efficient transport system of buses and taxis. Shipping services also improved through the development of wharf of both the inter-island and the international ports at Apia. This great success offset the poor performance by the airline industry as an impact of the September 11 Terrorist Attack which affected the global economy, and airline industry in particular.

Chart 25: Transport and Communication: growth rates



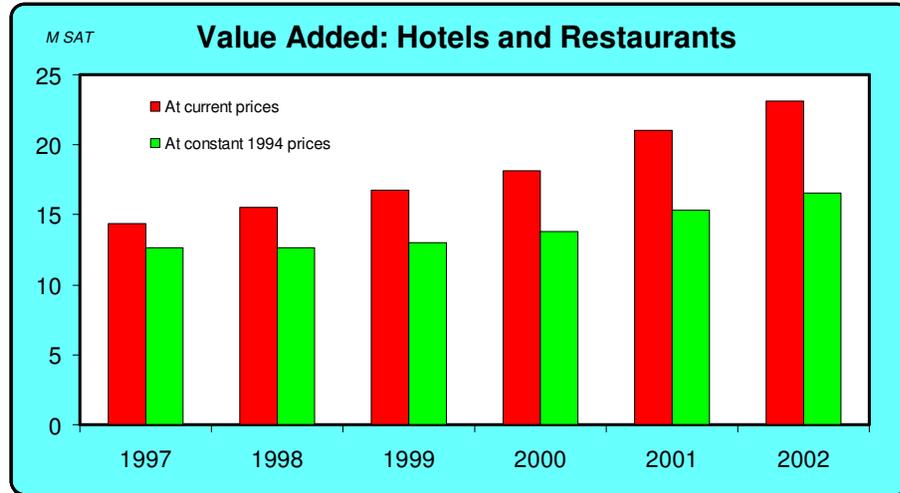
Shown in the Chart 25, the industry growth has been static early in the year after a robust performance started in second half of 2000, until it tale off in the third and the fourth quarter of 2001. The slowdown in the industry performance reflected the aftermath of the September 11 Terrorist attack which hit the global economy and impacted on the Airlines performance worldwide including the Polynesian Airline. The industry again showed moderate growth in the last three quarters of the year. In 1994 prices, the industry contributed a 0.9 percentage points to the overall growth.

Hotels and Restaurants

In 2002, Hotels and Restaurants value added in current prices was \$18.1 million. This represented only 2.6 percent of total GDP, Chart 26. Despite of its relatively small size, Hotels and Restaurants has been one of the consistent growing industry in the economy recording an average annual growth of 8.4% in the past three years. The industry is viewed with keen interest because of its particular importance in generating job opportunities and its role in the revitalisation of the village economy.

In constant 1994 prices, Hotels and Restaurants was estimated at \$16.5 million equivalent to the share of 2.4% of overall GDP.

Chart 26: Hotels and Restaurants: annual value added



Apparently from Chart 26, the “industry” has been increasing steadily in nominal terms. This continuous growth in the industry has been notably promising in view of the unstable world economy and its implications on the Tourism Sector in particular.

During 2002, the industry recorded a real growth of 8.1%, down from a revised strong growth of 10.9% in 2001. The growth in the industry was widespread through the industry. Tourism activities was boosted and in line with the increase in the number of tourist arrivals by 5.1% when compared to 2001.

Equally important, proliferation of restaurants and bars all around the country assisted the growth. The good performance by the industry is an indicative measure of the government’s effort to promote tourism by upgrading infrastructure, improving marketing strategies and building up the capacity of human resources in the industry.

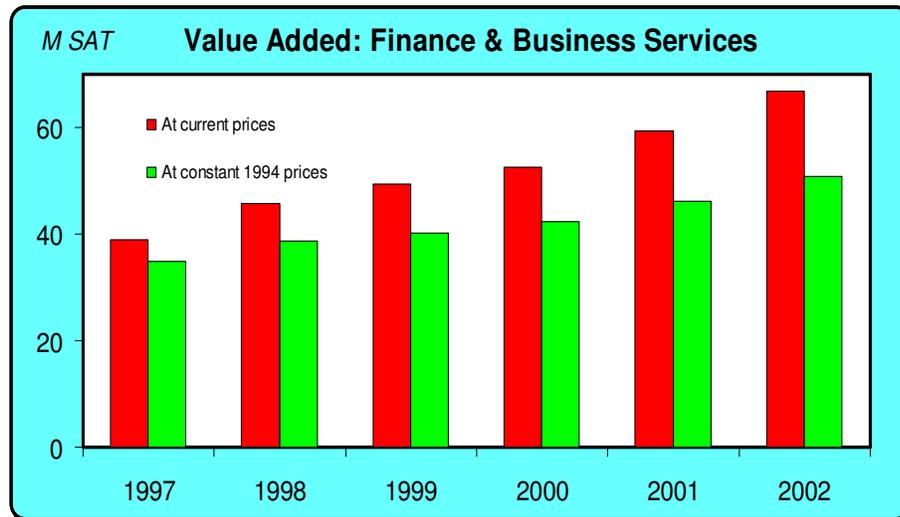
However, due the relative small size of this industry it contributed only 0.2 percentage points to real growth in 2002.

Finance and Business:

Growth in the **Finance and Business** services has been widespread through industry, with marked increases in Banking and Insurance. Its share of total GDP in nominal terms has increased from 6.8% in 1998 to 7.5% in 2002. During the year, the industry registered a value added of

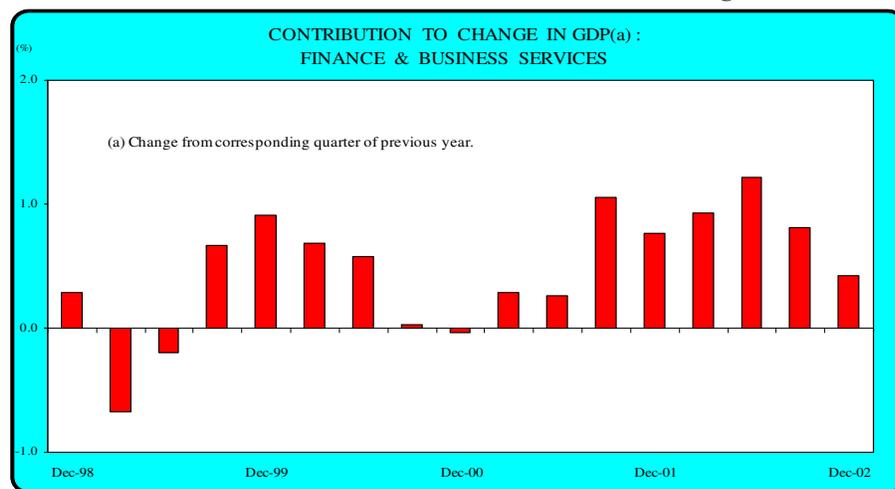
\$66.7 million, an increase of 10.4% when compared to the \$59.3 million in 2001.

Chart 27: Finance and Business Services: annual value added



In constant 1994 prices, Finance and Business Services generated a total value added at \$50.9 million. This represents a real increase of 10.4% over 2001. The results reflected positive impacts of good monetary policies imposed to monitor the Financial Sector Liberalisation reform that was implemented in 1998.

Chart 28: Finance and Business Services : Contribution to real growth in real GDP



As can be seen from the Chart 28, Finance and Business performed very well during the last two quarters of 2001 and continued on throughout 2002 registering an average quarterly contribution of 0.7% to the overall GDP. It is envisaged that the industry will continue to grow with the commencement of another Bank in 2003.

Personal Services:

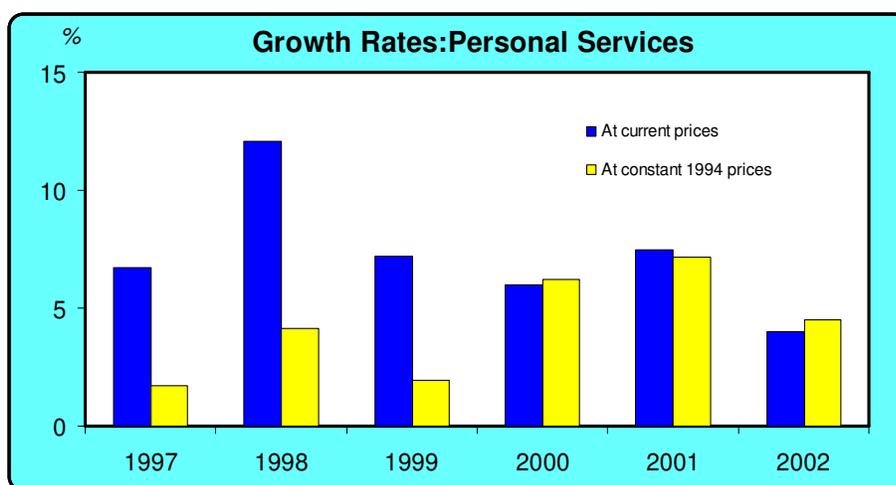
This industry covers a wide variety of activities ranging from education to hair dressers. In 2002 Personal Services was estimated to have contributed \$62.3 million in current prices, 7.0 percent of total GDP, Chart 29. It was the 7th largest industry in the economy in 2002.

Chart 29: Personal Services: annual value added



Between 1998 and 2002, the industry grew in nominal terms by 27 percent. The growing importance in monetary terms of these types of services is a further indication of the increasingly developed structure of the Samoan economy.

Chart 30: Personal Services: annual growth rates



In real terms, Personal Services was a bit volatile between 1998 and 2002 with an annual average increases of 4.8 percent. The industry seemed to slow down recording a 4.5% growth, down from 6.2% and 7.2% in 2000 and 2001 respectively. This was expected, in view of the industry's nature being influenced by the overall performance of the economy, and the level

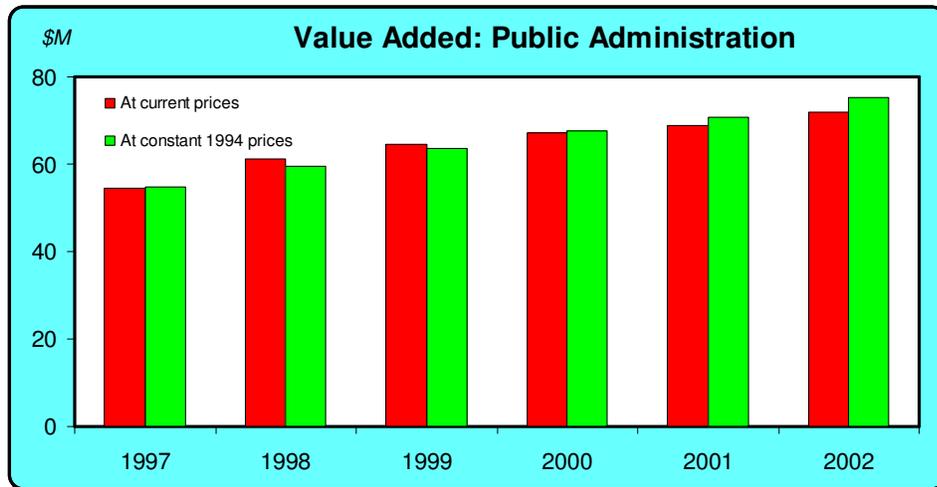
of household income received during the period.

Personal Services has been growing at a quarterly rate that is equivalent to the overall GDP trend rate of 0.7 percent. This industry has performed well also contributing 0.3 percentage points to growth for the year.

Public Administration:

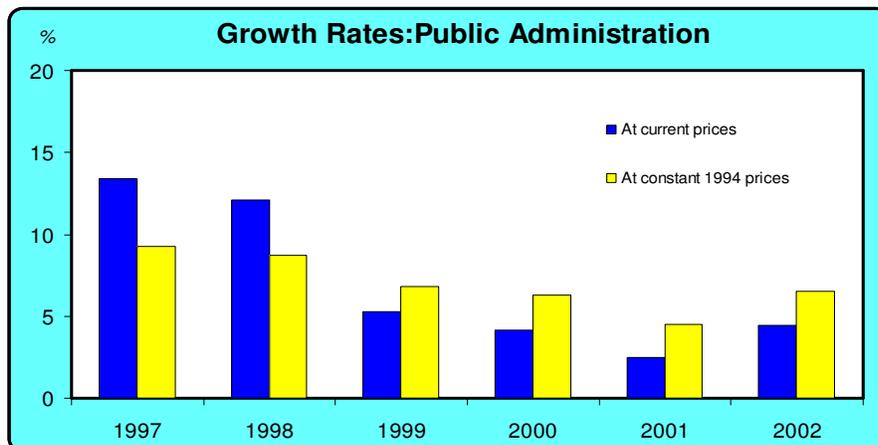
In 2002, Public Administration total value added was amounted to \$71.8 million accounted for 8.1% of total GDP. Of this level, Government became the fourth largest industry in the Samoan economy in 2002. This is equivalent to \$75.2 million at constant 1994 prices, Chart 31.

Chart 31: Public Administration: annual value added



Public administration has been growing at a trend growth rate of 1.4% from December 1998 to end December 2002, higher than the overall trend growth of 1.3 percent for the same period. In 2002, it grew in real terms by 6.6% over 2001. Due to the size of this industry, recent major increase in value added by Public Administration has had a notable impact on GDP growth. In 2002 it contributed 0.7 percentage point to real GDP growth... Growth rates can be seen in Chart 32.

Chart 32: Public Administration: annual growth rates



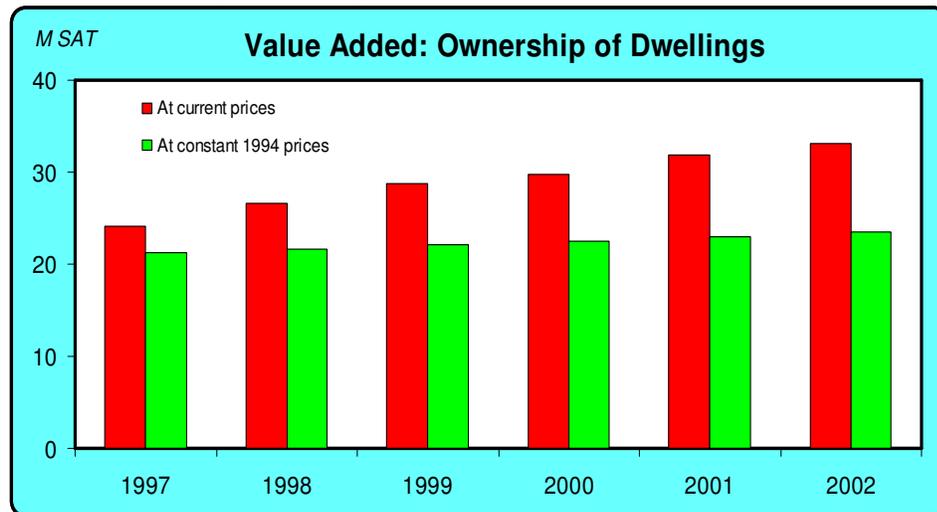
Shown in the Chart 32, growth in 1997 and 1998 were very high, as part of the re-grading exercises in the Stage 1 of the Public Sector reforms rather than a general increase. Latest analysis showed constant prices exceeding the nominal growth, started in 1999.

The result is indicative of the effective measures and guidelines Government has put in place to monitor the Public Sector Reforms started in 1998.

Ownership of Dwellings:

This industry is one of the smallest and accounts for only 3.4 percent of total GDP, recorded a total value added of \$33.1 million during the year. Thus, has very little impact on GDP growth.

Chart 33: Ownership of Dwellings: annual value added



Ownership of Dwellings consequently has provided a very stable share of GDP – around 3.3% of total GDP, the second smallest industry. By nature of the estimation techniques this “industry” shows consistent growth rates of 2.0% and has little impact on real overall growth rates.