

Chapter 8

National Accounts Balance of Payments and Consumer Price Index Statistics

Summary of National Account, Balance of Payment and Consumer Price Index

This chapter presents data on National Accounts, Balance of Payments and Consumer Price Index.

Nominal GDP. Palau's GDP for 2002 and 2003 was \$115.3 million but increased to \$116.8 million. Palau's overall output has grown by an average of 2 percent per year since 2000, in real terms (taking into account inflation). The low growth rates over the past few years reflect the adverse impact of various international events that affected tourism, which is our major industry. The largest sector of the economy is the public sector with an estimated 27 percent of contribution to the total economy. Public sector spending, both for operations and capital improvement projects, is credited for sustaining our economy through the economic slowdown and uncertainties over the last few years.

In 2002, GDP declined by 5 percent due to various external shocks that affected several sectors of the economy. The 9/11 incident, in 2001 and the subsequent War in Afghanistan significantly impacted Palau's tourism industry. However, these negative factors to Palau's economy was not absorbed until 2002.

In 2003, Palau's tourism industry was further damaged by the War in Iraq and the international SARS epidemic, which resulted in a travel restriction in May, 2003 stopping Taiwanese tourism for almost two months. To offset these impacts, Congress increased the SIN Tax by 200 percent; this action significantly boosted local tax revenues. A majority of the economic sectors registered a slight increase in growth for 2003. The major components of the economy, wholesale and retail trade and hotels and restaurants both registered a growth of 2 percent. Fishing and public administration registered no growth.

Barring any further regional or international shocks, Palau anticipates a conservative annual increase of GDP over the next 5 years of approximately 1.3 percent. The engine of this growth will be tourism, as invigorated by expanded airline capacity as well as the completion and initiation of numerous private sector tourism projects. In addition, public and private construction projects will stand beside tourism in expanding Palau's economic base. Multiple public sector projects over the past few years, the majority which have been funded by the Compact, have established a strong infrastructure base for this new investment growth in the Republic.

The GDP in 2003 was \$117 million, about \$1.5 million more than in 2002. About 27 percent of the GDP involved public administration, followed by 20 percent for trade, and 10 percent for hotels and restaurants.

Table 8.1 Gross Domestic Product at Current Prices, 1997 to 2003

(\$ 000)

Particulars	Nominal Gross Domestic Product						
	1997	1998	1999	2000 1/	2001 1/	2002 1/	2003 2/
Agriculture	1,312	1,398	1,358	1,372	1,399	1,385	1,399
Fisheries	2,057	2,038	3,148	3,274	3,372	3,271	3,271
Mining & Quarrying	138	176	218	229	240	233	236
Manufacturing	1,403	1,702	1,609	1,690	1,774	1,650	1,666
Electricity, Gas and Water	-388	2,360	3,393	3,563	3,741	3,591	3,663
Construction	8,834	10,389	8,249	8,661	9,181	8,722	8,896
Trade	23,913	24,837	23,165	23,860	24,337	22,390	22,838
Hotels and Restaurants	13,986	12,370	11,938	12,057	12,419	11,301	11,527
Transport and Communication	8,734	9,191	9,846	10,338	10,855	10,095	10,297
Finance and Insurance	6,573	5,706	4,297	4,511	4,647	4,368	4,412
Real Estate and Business Services	6,298	6,555	4,611	4,842	5,036	4,683	4,777
Public Administration	29,401	28,462	29,374	30,255	30,860	31,478	31,478
Other Services	9,211	9,907	9,691	9,982	10,381	9,550	9,741
Subtotal	111,471	115,091	110,897	114,634	118,242	112,717	114,201
Less: imputed bank service charge	2,101	2,640	2,384	1,250	1,250	1,250	1,250
Plus: import duties	3,842	4,869	4,972	3,842	3,842	3,842	3,842
Gross Domestic Product	113,212	117,320	113,485	117,226	120,834	115,309	116,793
GDP growth rate	4.6%	3.6%	-3.3%	3.3%	3.1%	-4.6%	1.3%
Population (mid-year) /3	18,061	18,494	18,882	19,129	19,626	19,976	20,304
GDP per capita (\$)	6,268	6,344	6,010	6,128	6,157	5,772	5,752
Percentage							
Agriculture	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Fisheries	1.8	1.7	2.8	2.8	2.8	2.8	2.8
Mining & Quarrying	0.1	0.2	0.2	0.2	0.2	0.2	0.2
Manufacturing	1.2	1.5	1.4	1.4	1.5	1.4	1.4
Electricity, Gas and Water	-0.3	2.0	3.0	3.0	3.1	3.1	3.1
Construction	7.8	8.9	7.3	7.4	7.6	7.6	7.6
Trade	21.1	21.2	20.4	20.4	20.1	19.4	19.6
Hotels and Restaurants	12.4	10.5	10.5	10.3	10.3	9.8	9.9
Transport and Communication	7.7	7.8	8.7	8.8	9.0	8.8	8.8
Finance and Insurance	5.8	4.9	3.8	3.8	3.8	3.8	3.8
Real Estate and Business Services	5.6	5.6	4.1	4.1	4.2	4.1	4.1
Public Administration	26.0	24.3	25.9	25.8	25.5	27.3	27.0
Other Services	8.1	8.4	8.5	8.5	8.6	8.3	8.3
Subtotal	98.5	98.1	97.7	97.8	97.9	97.8	97.8
Less: imputed bank service charge	-1.9	-2.2	-2.1	-1.1	-1.0	-1.1	-1.1
Plus: import duties	3.4	4.2	4.4	3.3	3.2	3.3	3.3
Gross Domestic Product	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Sources: UNDP-Public Sector Development (PSD) Project Office, Ministry of Finance, and IMF staff

* Data by sector for 1997 to 2002 have been estimated by the Statistics Specialist, UNDP/PSD Project Office

1/ Provisional

2/ Forecast

3/ Population for 2000 is actual; 2001, 2002 and 2003 are projections.

Table 8.1a Real Gross Domestic Product, July 2000 to December 2003

Particulars	2000	2001	2002	2003
Nominal GDP (\$ 000) (1)	117,226	120,835	115,309	116,793
Nominal GDP growth rate (%)	3.3	3.1	-4.6	1.3
GDP deflator (CPI) (2)	100.5	99.8	99.9	101.3
Real GDP (\$ 000) (3)	116,643	121,077	115,424	115,294
Real GDP growth rate (%) (4)	-	3.8	-4.7	-0.1
Population (5)	19,129	19,626	19,976	20,304
Real GDP per capita (\$)	6,098	6,169	5,778	5,678

The nominal growth rate between 2002 and 2003 was 1.3 percent, compared to a decrease in the preceding year. However, real GDP and per capita GDP continued to decline. Real Per capita GDP decreased from \$6,200 in 2001 to \$5,800 in 2002, and \$5,700 in 2003.

Source: Office of Planning and Statistics (OPS), Ministry of Finance

* Real GDP and growth rate for 2001 were computed by the Economist, UNDP/Public Sector

Development Project Office.

Notes: (1) Provisional data for 2000, 2001 and 2002; forecast for 2003.

(2) GDP deflator is the annual average CPI.

(3) Real GDP has been computed by deflating the Nominal GDP with the CPI.

(4) Real GDP increase in 2000 over 1999 could not be computed as CPI

was established in June 2000.

(5) Population for 2000 is actual; 2001, 2002 and 2003 are projections.

Table 8.2 Republic of Palau: Balance of Payments, 1997/98-2002/03 (in thousands of U.S. dollars)

	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Trade balance	(52,128)	(76,556)	(115,619)	(77,093)	(76,369)	(80,042)
Exports, f.o.b.	11,094	7,296	11,508	18,672	20,343	8,202
Imports, f.o.b. 1/	(63,222)	(83,852)	(127,127)	(95,765)	(96,712)	(88,244)
Services account	40,292	43,828	38,507	46,951	35,225	49,226
Receipts	58,003	54,144	53,240	58,531	47,352	57,943
Travel 2/	58,003	54,144	53,240	58,531	47,352	57,943
Payments	(9,809)	(10,316)	(14,733)	(11,580)	(12,127)	(8,717)
Freight and insurance 3/	(7,903)	(8,385)	(12,713)	(9,646)	(9,827)	(6,602)
Travel	(1,906)	(1,931)	(2,020)	(1,934)	(2,300)	(2,115)
Income (net)	4,607	4,811	5,455	7,447	6,869	5,866
Investment income	3,527	3,720	4,149	5,225	4,854	3,911
Pension Fund Investment Income	456	455	554	605	595	566
Social Security Investment Income	624	636	752	917	712	685
Income payment				700	708	704
Current transfers	21,306	14,288	23,927	21,408	23,411	30,895
Private	(6,062)	(5,680)	3,273	(1,420)	298	5,734
Inflows	1,129	1,500	11,135	5,686	7,168	(7,076)
Outflows	(7,190)	(7,180)	(7,862)	(7,106)	(6,870)	(7,076)
Official	27,368	19,968	20,654	22,828	23,113	25,161
Fishing rights/	800	912	486	733	678	753
Business licenses and fees 7/	924	1,003	1,447	1,327	1,581	2,256
Grants	26,435	18,624	19,298	21,069	21,359	22,690
Other 4/	(791)	(571)	(577)	(301)	(505)	(538)
Current account	14,077	(13,629)	(47,730)	(1,287)	(10,864)	5,945
(includes official grants)						
Current account	(11,284)	(32,253)	(67,028)	(22,356)	(32,223)	(16,745)
(excludes official grants)						
Capital and financial account	(54)	(698)	31,330	1,679	2,427	14,217
Capital grants 5/	3,546	3,369	12,764	1,679	2,427	13,646
New Borrowing 6/			20,000			-
Loan repayments 7/	(3,600)	(4,067)	(1,434)	-		571
Errors and omissions	(13,003)	(489)	27,077	(34,407)	(21,518)	(17,507)
Overall balance 8/	1,020	(14,816)	10,677	(34,015)	(29,955)	2,655
Memorandum items:						
Imports/GDP (in percent)	(54)	(73)	(108)	(79)	(84)	(76)
Trade account/GDP (in percent)	(45)	(67)	(99)	(64)	(66)	(69)
Current account/GDP (in percent)						
Including official grants	12	-12	-41	-1	-9	5
Excluding official grants	(10)	(28)	(57)	(19)	(28)	(14)
GDP (fiscal year)	116,293	114,444	117,226	120,834	115,309	116,792

Source: Data provided by the Ministry of Finance and Palau Visitors Authority;
and staff & Ministry of Finance estimates

Notes:

1/ Includes government and tax-exempt imports.

2/ Estimated on the basis of official data on the number of visitors to Palau, and data on average length of stay and average daily spending.

3/ Does not include realized investment gains and losses.

4/ Includes fishing right fees, FIB permit and employee fees, foreign labor permits, airport uses fees and port use fees.

5/ Contributions to international and regional organizations.

6/ Grants received for capital improvements.

7/ New borrowing of US \$20 million from Taiwan.

8/ Principal payment on external debt.

9/ Reflects the changes in the financial holdings of the government excluding Compact Section 211(f) Trust Fund.

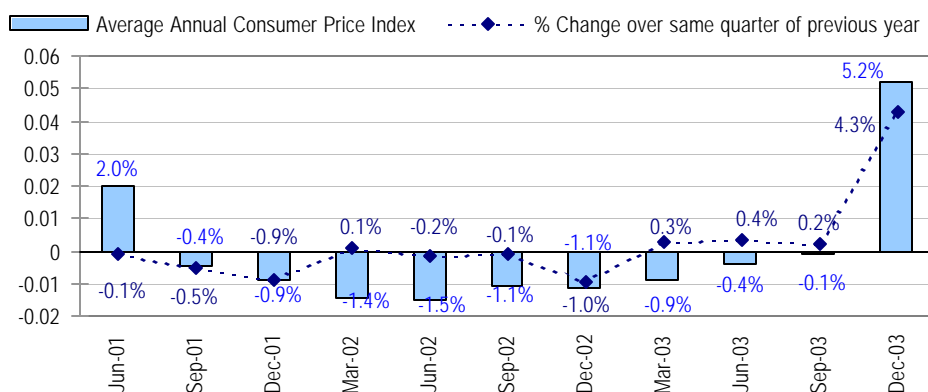
Table 8.3 Consumer Price Index Major Groups

Period	All groups	Food & beverages	Alcohol, tobacco & betel nut	Clothing & footwear	Housing	H'hold operations	Transportation	Health, personal care, education & services	Leisure & entertainment
Year (annual average)	Base: June 2000 = 100								
2000	101.12	101.5	99.0	100.8	101.0	101.5	100.6	101.9	101.8
2001	101.52	102.2	98.5	102.5	105.5	99.5	101.5	103.3	102.3
2002	100.22	100.8	95.3	97.8	100.4	99.6	100.7	105.0	102.8
2003	101.16	101.6	97.8	94.4	97.1	101.5	101.9	109.1	102.9
Quarter 2000									
Jun-00	100.00	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Sep-00	101.89	103.3	98.7	101.5	100.7	102.0	100.3	102.8	102.7
Dec-00	101.47	101.1	98.5	100.8	102.2	102.6	101.4	103.0	102.6
2001									
Mar-01	102.09	102.9	96.8	102.6	106.4	100.7	102.0	103.1	103.8
Jun-01	101.99	102.9	99.1	102.4	106.8	100.1	101.4	102.7	102.1
Sep-01	101.44	101.4	100.1	102.7	106.1	99.8	101.2	104.0	101.6
Dec-01	100.56	101.5	98.0	102.3	102.6	97.5	101.5	103.5	101.7
2002									
Mar-02	100.64	102.5	97.1	102.2	103.2	97.1	100.6	103.2	101.4
Jun-02	100.46	102.0	97.2	98.3	103.2	96.9	101.1	104.2	102.4
Sep-02	100.38	100.0	96.1	96.6	97.4	102.2	100.6	106.2	104.0
Dec-02	99.42	98.9	90.6	94.3	97.8	102.0	100.4	106.3	103.4
2003									
Mar-03	99.72	98.8	88.9	93.2	97.0	103.5	102.1	106.5	103.1
Jun-03	100.07	101.2	87.7	94.2	96.7	101.3	101.9	108.3	102.6
Sep-03	100.28	101.0	89.9	95.3	97.6	101.0	101.4	111.3	102.2
Dec-03	104.58	105.2	124.7	94.9	97.1	100.4	102.3	110.5	103.7

Source: Office of Planning & Statistics

The CPI was re-based in June, 2000. By mid-year 2003, all groups only increased by one percent during the three-year period. Some major groups showed decreases during the period: alcohol, tobacco, and betel nut; clothing and footwear; and housing. Others showed moderate increases: food and beverages; household operations; transportation; and, leisure and entertainment. Only health, personal care, and education services showed a large increase of about 9 percent.

Figure 8.3 Movement of Consumer Price Index



Palau has shown little inflation over the 3 year period since the re-basing, and in some major groups, deflation occurred.

Table 8.3a Consumer Price Index Major Group- Percent Change

Period	All groups	Food & beverages	Alcohol, tobacco & betel nut	Clothing & footwear	Housing	H'hold operations	Transportation	Health, personal care, education & services	Leisure & entertain.
Quarter	Percentage change over previous quarter								
2000									
Sep-00	1.9%	3.3%	-1.3%	1.5%	0.7%	2.0%	0.3%	2.8%	2.7%
Dec-00	-0.4%	-2.1%	-0.2%	-0.7%	1.4%	0.6%	1.2%	0.2%	-0.1%
2001									
Mar-01	0.6%	1.8%	-1.7%	1.8%	4.1%	-1.8%	0.6%	0.0%	1.2%
Jun-01	-0.1%	0.0%	2.3%	-0.2%	0.3%	-0.6%	-0.7%	-0.4%	-1.6%
Sep-01	-0.5%	-1.4%	1.0%	0.3%	-0.6%	-0.3%	-0.2%	1.3%	-0.5%
Dec-01	-0.9%	0.1%	-2.1%	-0.4%	-3.3%	-2.3%	0.3%	-0.5%	0.0%
2002									
Mar-02	0.1%	1.0%	-0.9%	-0.1%	0.6%	-0.4%	-0.8%	-0.3%	-0.3%
Jun-02	-0.2%	-0.5%	0.2%	-3.8%	0.0%	-0.2%	0.4%	1.0%	1.0%
Sep-02	-0.1%	-2.0%	-1.1%	-1.8%	-5.6%	5.4%	-0.4%	1.9%	1.6%
Dec-02	-1.0%	-1.1%	-5.7%	-2.4%	0.4%	-0.2%	-0.2%	0.1%	-0.6%
2003									
Mar-03	0.3%	0.6%	4.0%	1.3%	-1.3%	1.6%	1.9%	0.1%	0.3%
Jun-03	0.4%	2.6%	0.5%	2.3%	0.6%	-3.5%	-1.8%	1.4%	-0.1%
Sep-03	0.2%	-2.5%	3.9%	0.0%	1.3%	1.9%	-0.3%	1.1%	0.1%
Dec-03	4.3%	4.3%	35.3%	-1.5%	-1.5%	-0.3%	1.4%	-3.4%	1.9%
Quarter	Percentage change over same period of previous year								
2001									
Jun-01	2.0%	2.9%	-0.9%	2.4%	6.8%	0.1%	1.4%	2.7%	2.1%
Sep-01	-0.4%	-1.8%	1.4%	1.1%	5.3%	-2.1%	0.9%	1.2%	-1.1%
Dec-01	-0.9%	0.4%	-0.5%	1.5%	0.4%	-4.9%	0.1%	0.5%	-0.9%
2002									
Mar-02	-1.4%	-0.4%	0.3%	-0.4%	-3.0%	-3.6%	-1.4%	0.1%	-2.4%
Jun-02	-1.5%	-0.9%	-1.9%	-4.0%	-3.4%	-3.2%	-0.3%	1.5%	0.3%
Sep-02	-1.1%	-1.5%	-3.9%	-5.9%	-8.2%	2.4%	-0.6%	2.0%	2.3%
Dec-02	-1.1%	-2.6%	-7.5%	-7.8%	-4.6%	4.6%	-1.1%	2.6%	1.7%
2003									
Mar-03	-0.9%	-3.6%	-8.4%	-8.8%	-6.0%	6.5%	1.4%	3.2%	1.7%
Jun-03	-0.4%	-0.8%	-9.8%	-4.2%	-6.3%	4.4%	0.8%	3.9%	0.2%
Sep-03	-0.1%	1.0%	-6.5%	-1.4%	0.2%	-1.2%	0.8%	4.9%	-1.8%
Dec-03	5.2%	6.4%	37.5%	0.6%	-0.7%	-1.6%	1.9%	4.0%	0.3%

Source: Office of Planning & Statistics

Figure 8.4 All groups % Change from previous quarter

