

2013 Pacific Update

Development Policy Centre, Crawford School of Public Policy
ANU, Canberra

Common challenges in microstates: Nauru and Tuvalu

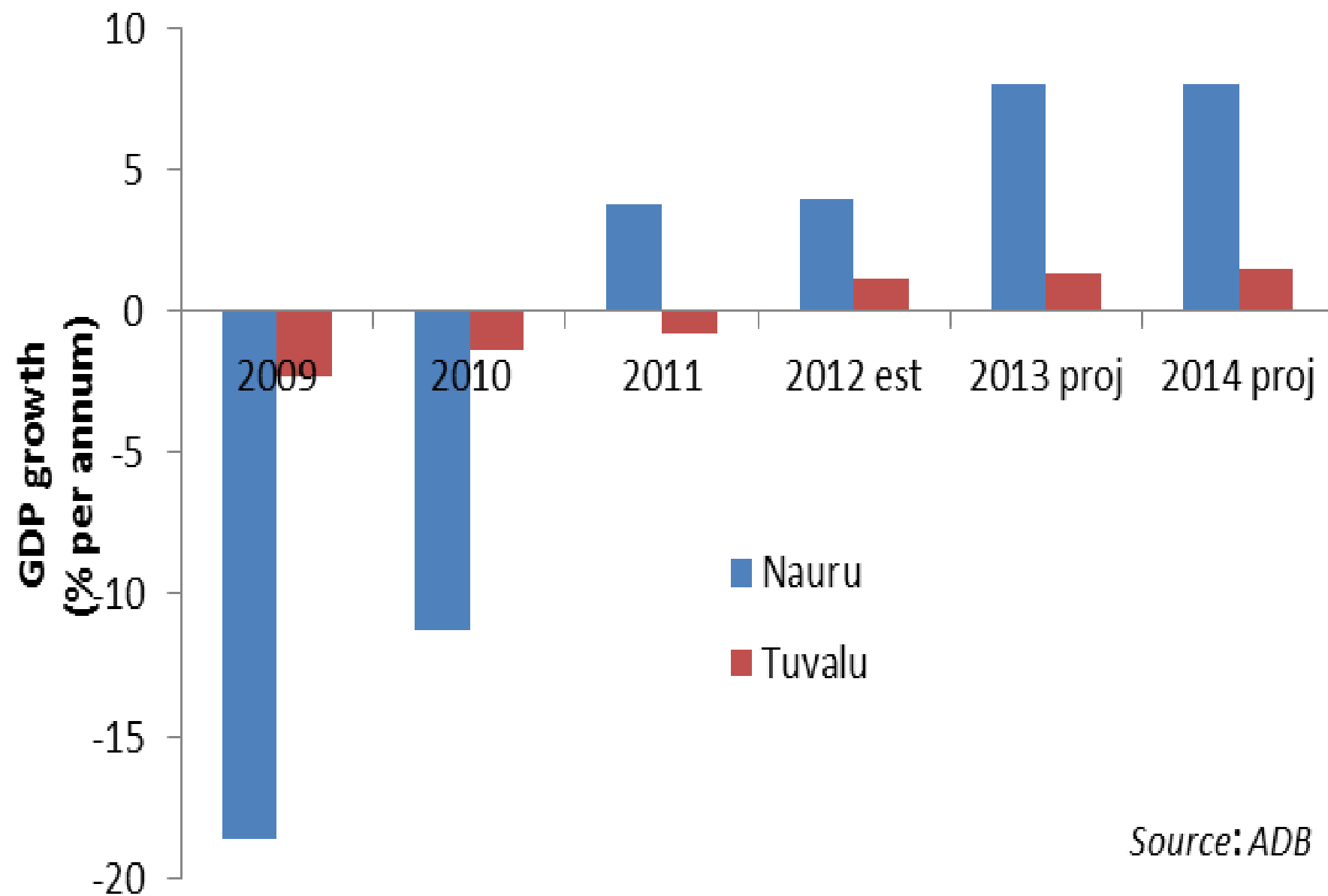
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Context

- Small, stable populations: 10,000
- Low, highly volatile GDP: \$50m - \$60m
- Large public sector (80% of GDP), small private sector
- Income: fisheries licenses, trust fund and aid...and phosphate (for Nauru)...and remittances (for Tuvalu)
- Australian \$...no monetary policy; inflation

GDP Growth for Nauru and Tuvalu

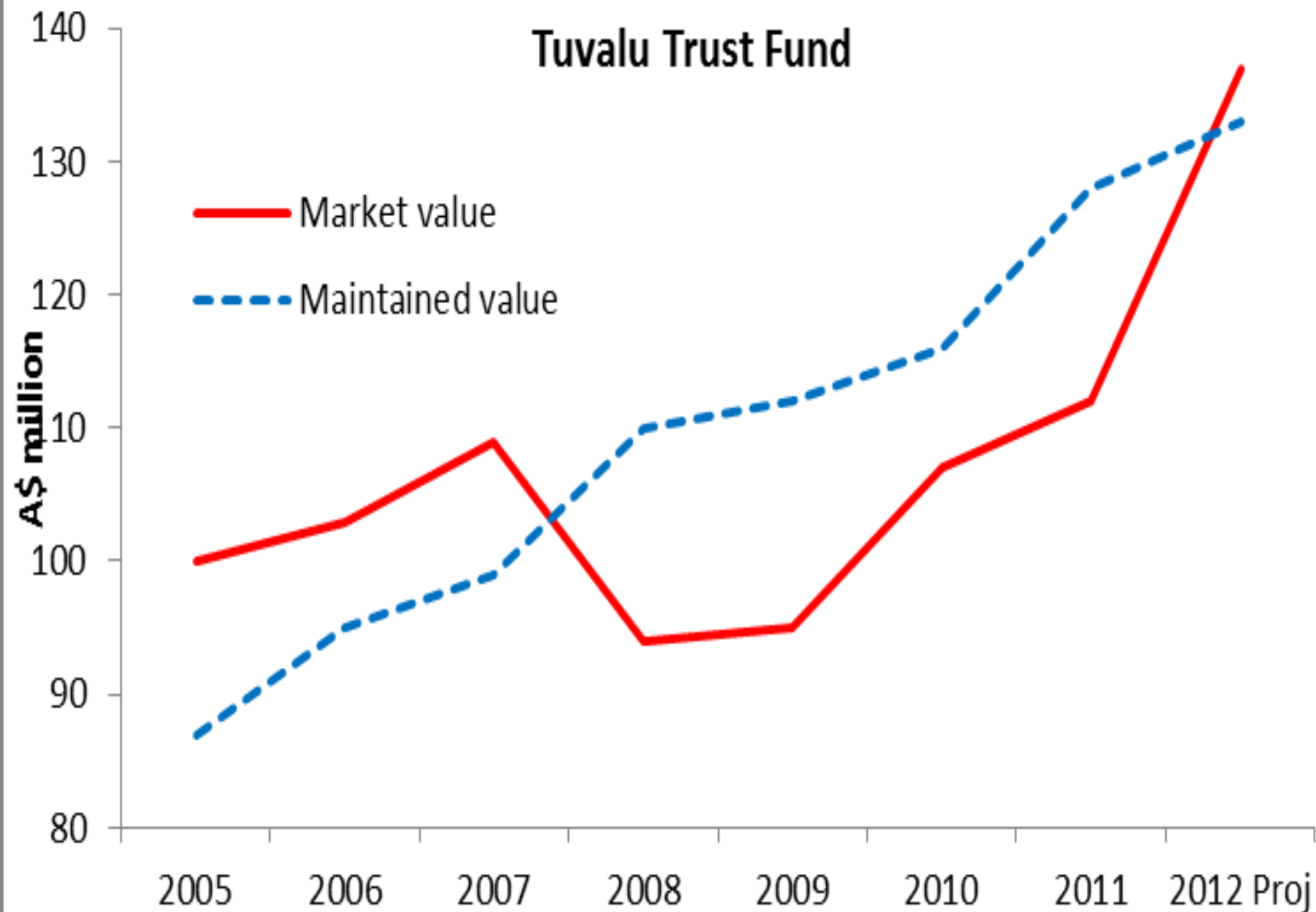


Source: ADB

Challenges

- Growth returns after GFC but remains low
- Demand for seafarers not recovered (Tuvalu): 30% of GDP (2000) to 8% (2010)
- Strong A\$ keeps inflation under control but widens current account deficit
- Financing buffers (TTF) depleting
- Primary phosphate mining depleting (Nauru)
- Growth extremely vulnerable to external shocks

Tuvalu Trust Fund



Source: TTFAC

Policy Options /Economic Outlook

1. Maintain macroeconomic stability
2. Improve public sector performance
3. Support private sector growth
4. Maximise opportunities of sovereignty
5. Promote labour migration & seasonal worker schemes

Thank you

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