

The Pacific post-pandemic: an economic update

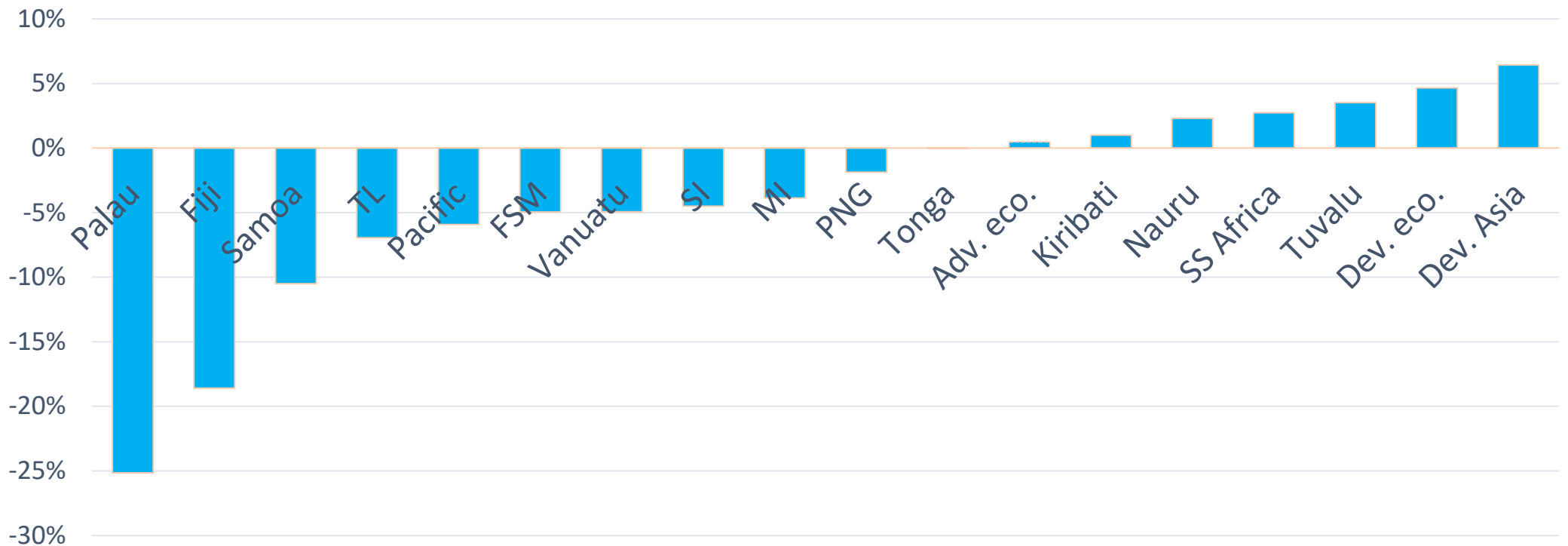
Pacific Update presentation

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Most Pacific countries have experienced a large negative economic shock due to COVID

GDP cumulative real growth in 2020 and 2021



Source: IMF World Economic Outlook Database (April 2022)

The IMF projects a solid recovery for the Pacific from COVID in 2022 and 2023.

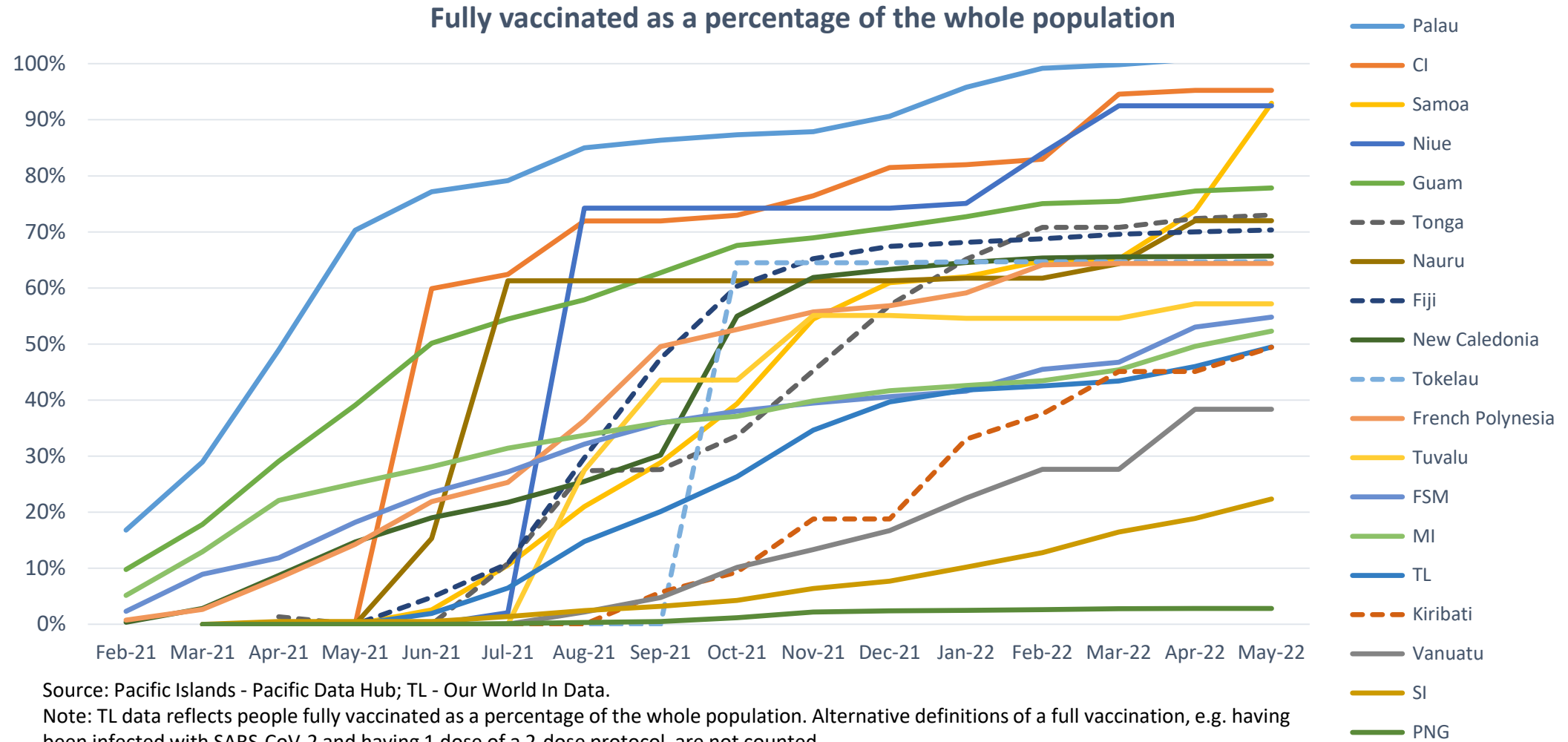


Source: IMF World Economic Outlook Database (April 2022)

What are the downside risks?

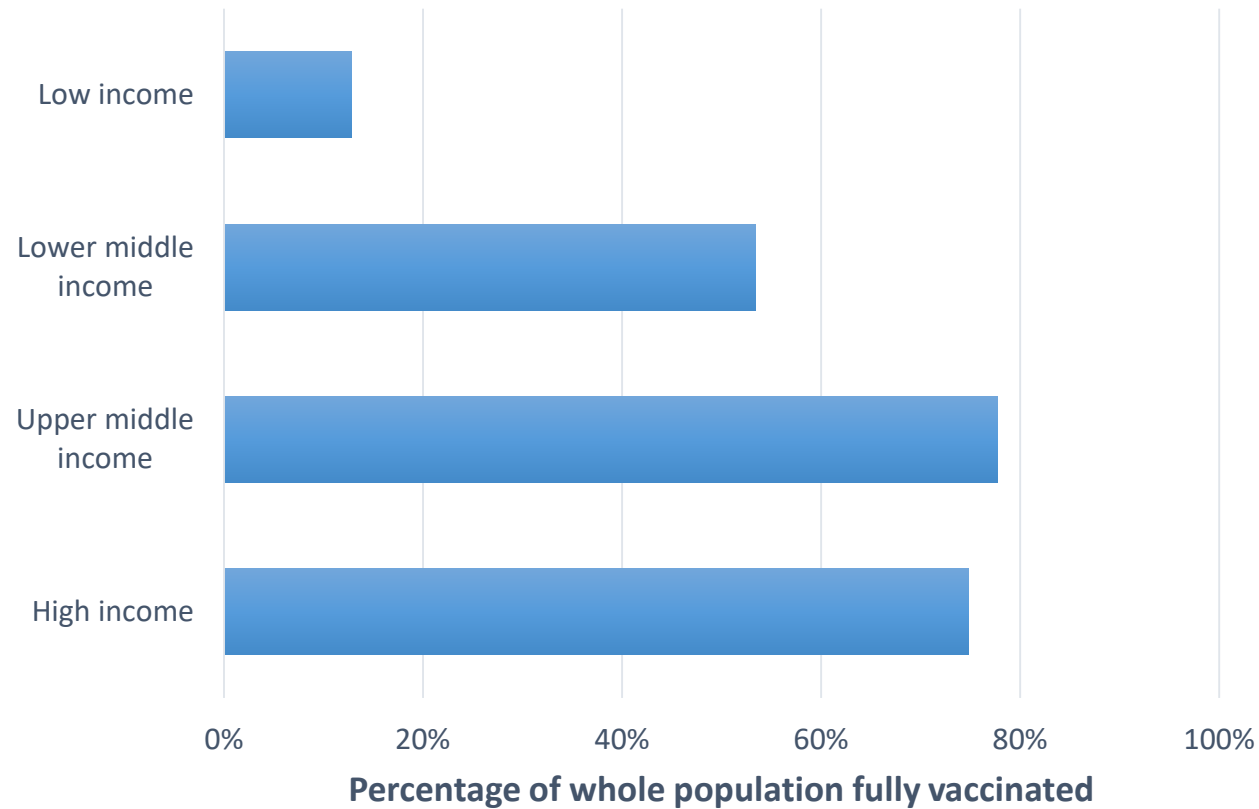
- (a) Ongoing pandemic risks
- (b) Commodity price shocks
- (c) Inflation
- (d) Global slowdown
- (e) Government debt
- (f) BoP risks
- (g) Slow trend growth

(a) Ongoing pandemic risks



Pacific vaccination effort in international perspective

Global comparisons



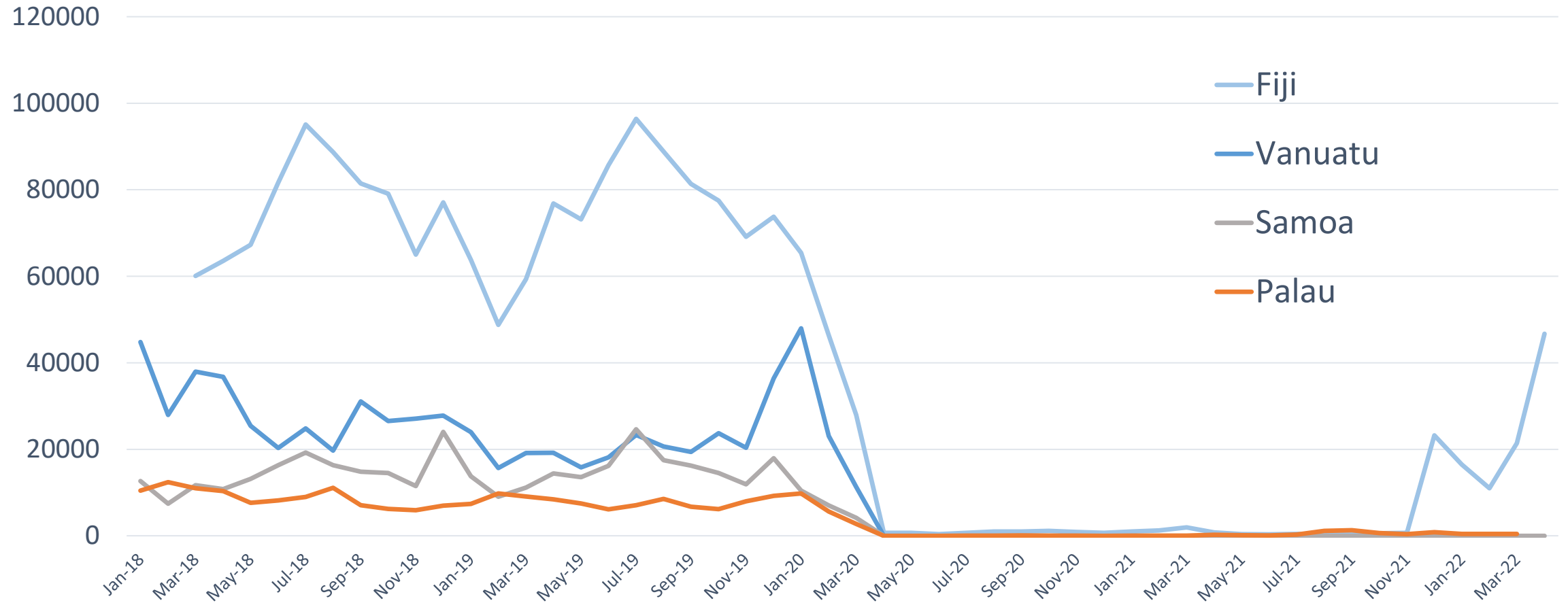
Source:

Pacific region - Pacific Data Hub, use 2nd dose administered as a percentage of the population;

Income groups and countries - Our World In Data, people fully vaccinated as a percentage of the whole population.

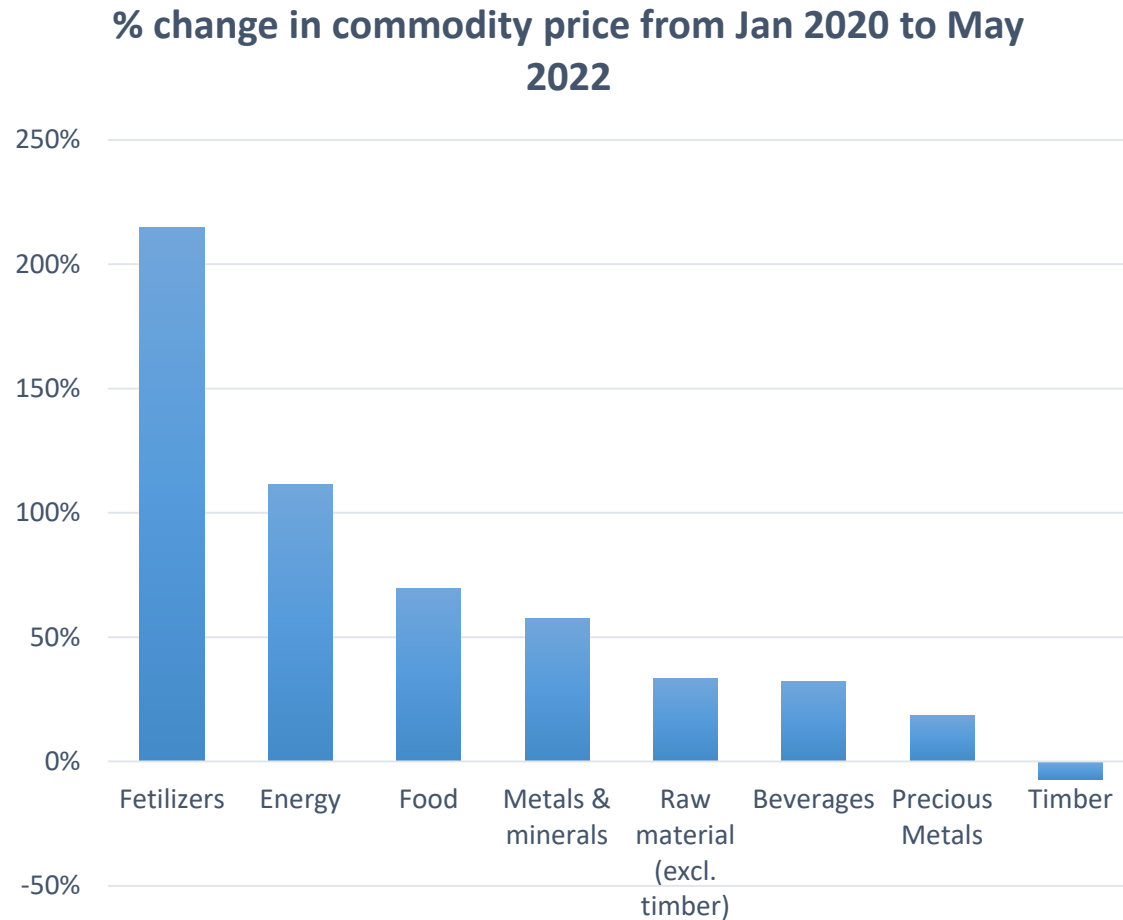
Variable timing of and returns from border opening

Visitor arrivals

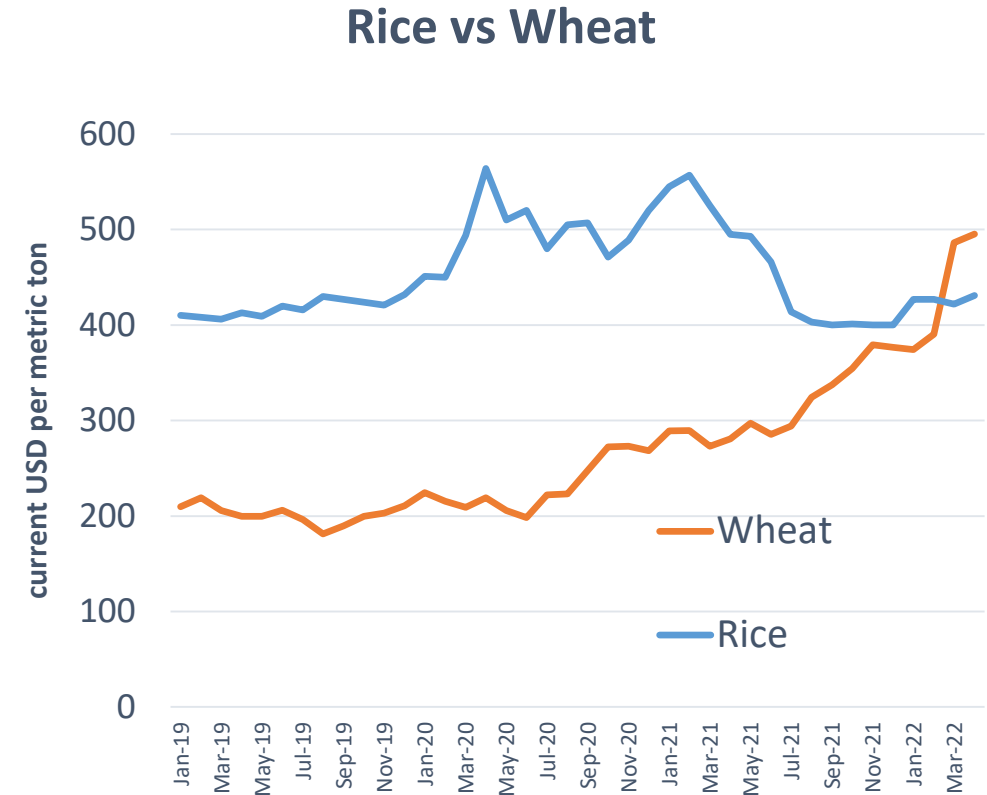


Source: various government documents.

(b) Commodity price shocks



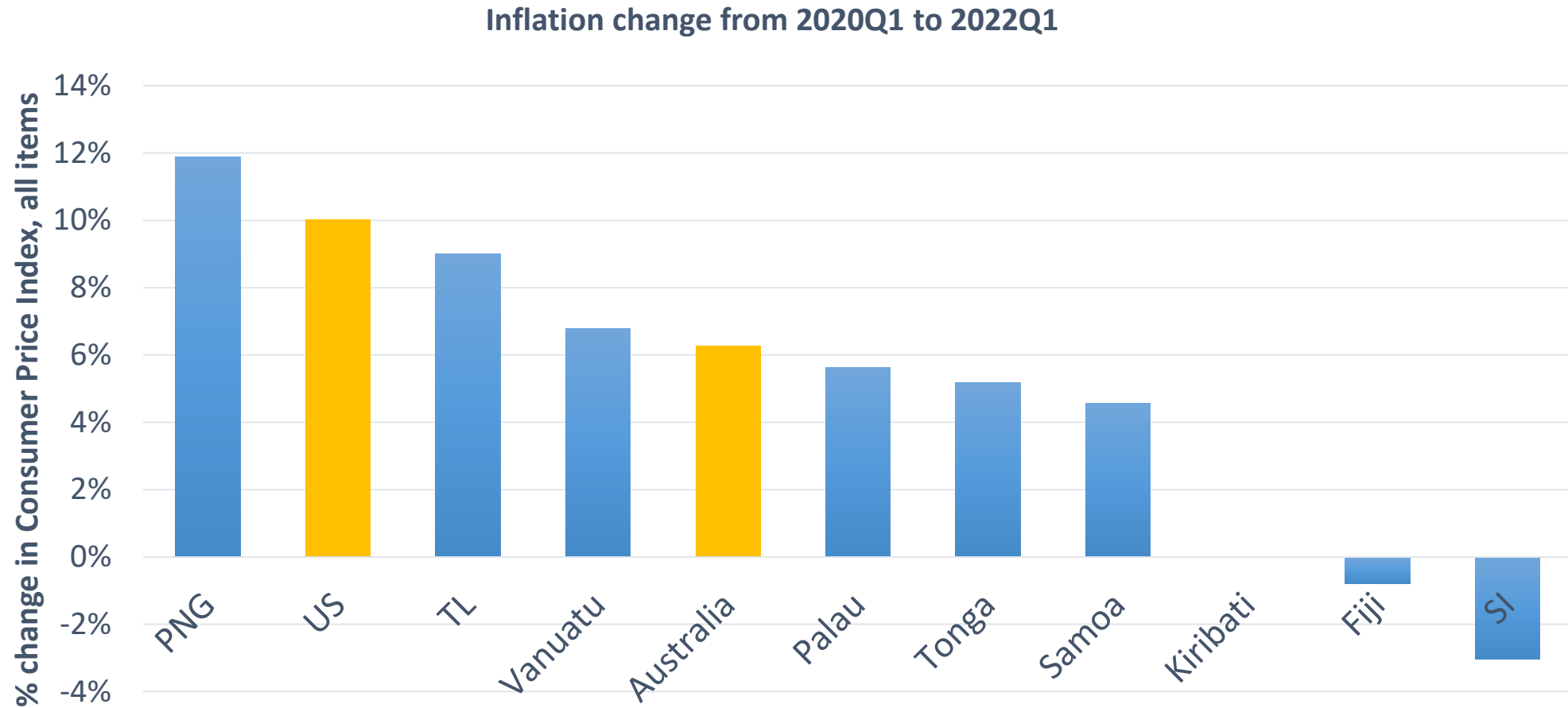
Source: World Bank Commodity Markets Outlook Database



Source: Index Mundi

Note: Mixed impact across the Pacific.

(c) Inflation – not yet/on its way.



Source: TL- TL National Statistics Office; Other countries - IMF Consumer Price Index

(d) Global slowdown/recession

Global economy

- *WB Global Economic Prospects*: Intensifying geopolitical tensions, growing stagflationary headwinds, rising financial instability, continuing supply strains, and worsening food insecurity

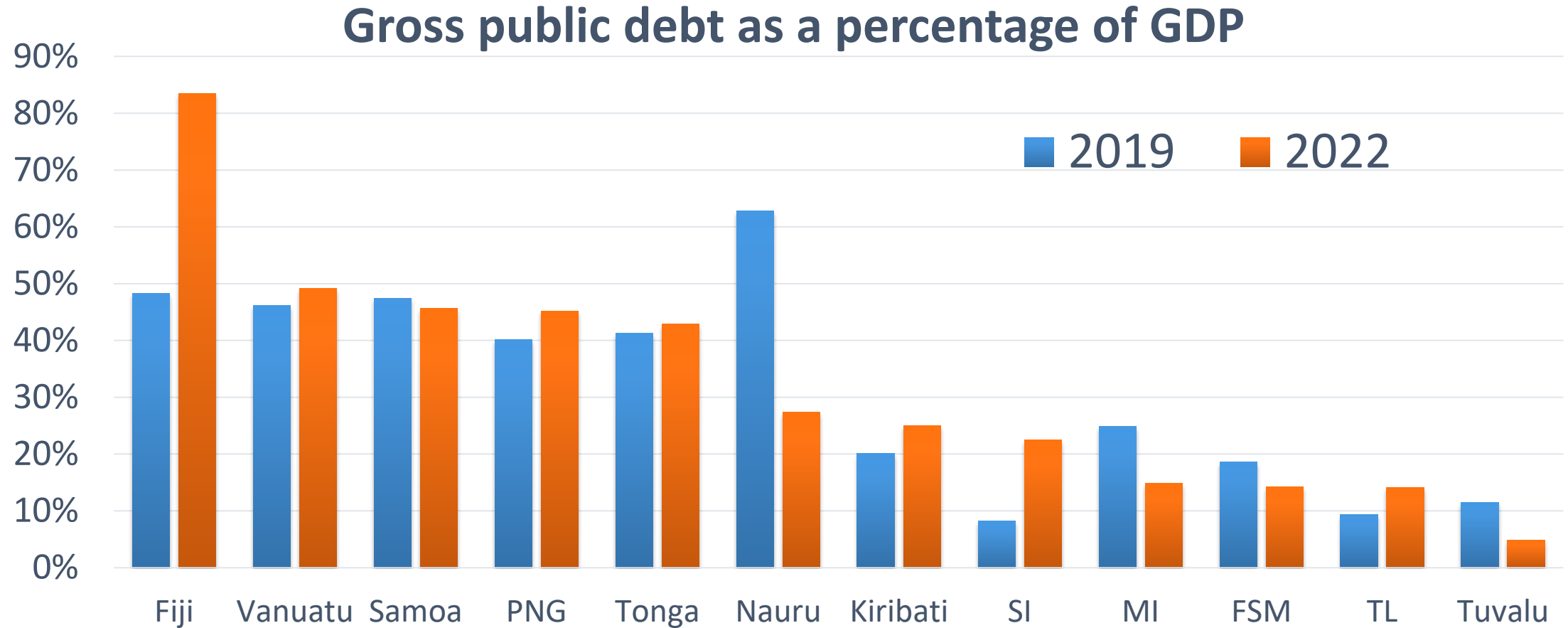
US economy

- Larry Summers: With inflation above 4 percent and unemployment below 4 percent, there's always been a recession within the next two years.

Chinese economy

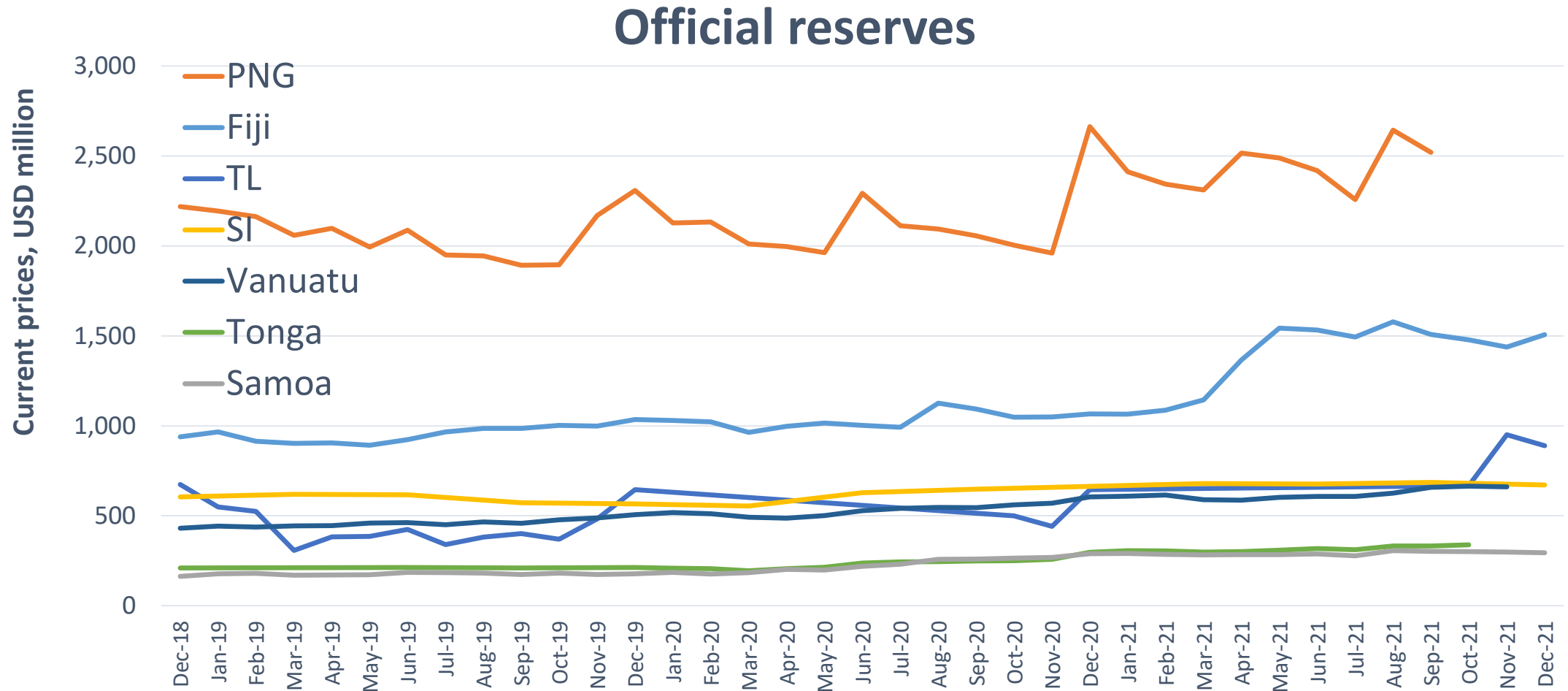
- IMF downgraded growth forecast for China in 2022 to 4.4 percent, well below China's growth target of 5.5 percent. MD: Frequent wide-ranging lockdowns in China causing further bottlenecks in global supply chains.

(e) Government debt: No large increases except in Fiji



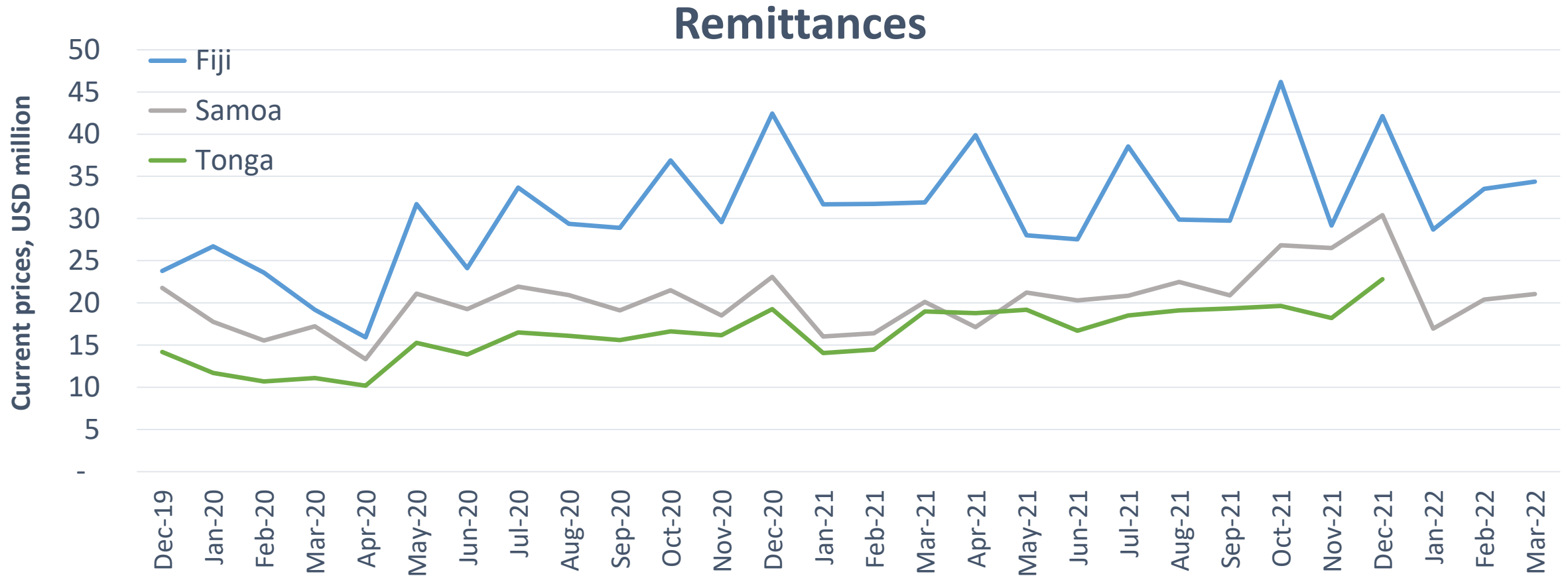
Source: IMF Fiscal Monitor (April 2022)

(f) BoP crisis? Strong external positions



Source: various government and Central Bank documents

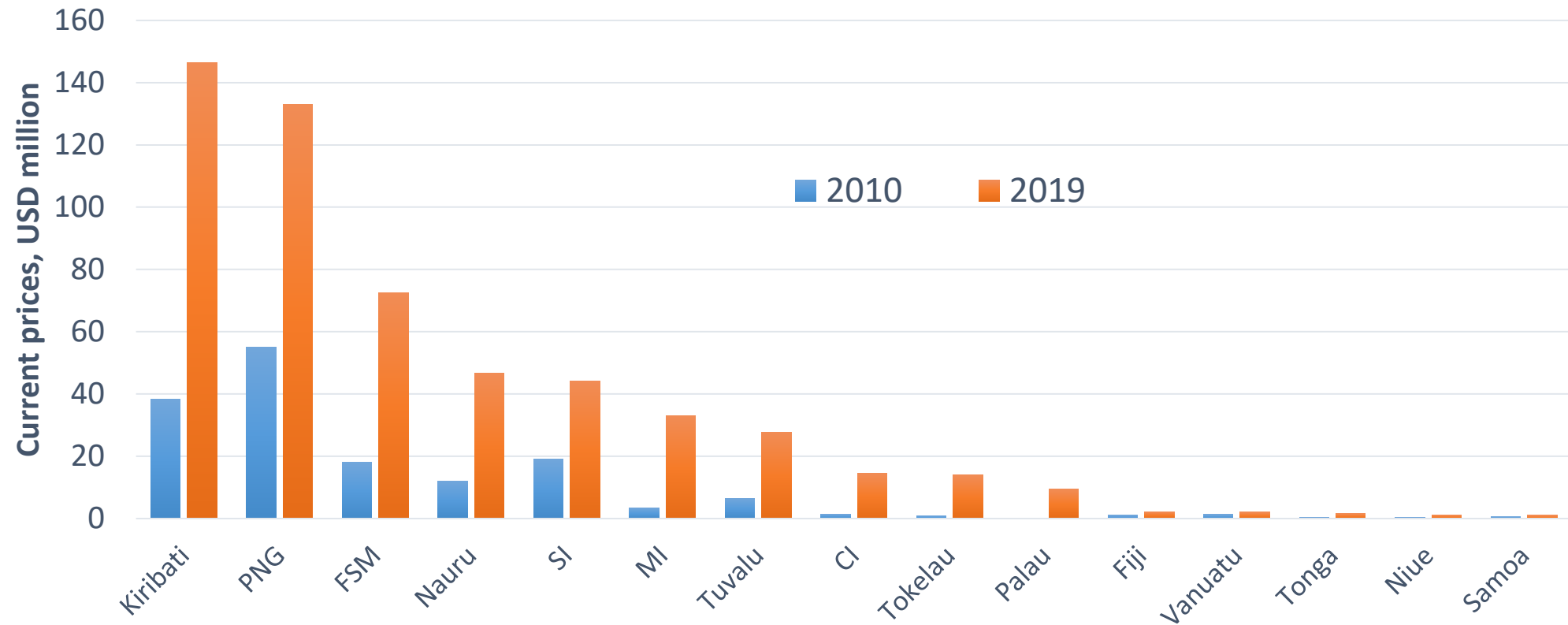
Remittances have been a strength during COVID (for those countries that have access to them)



Source: various Central Bank documents

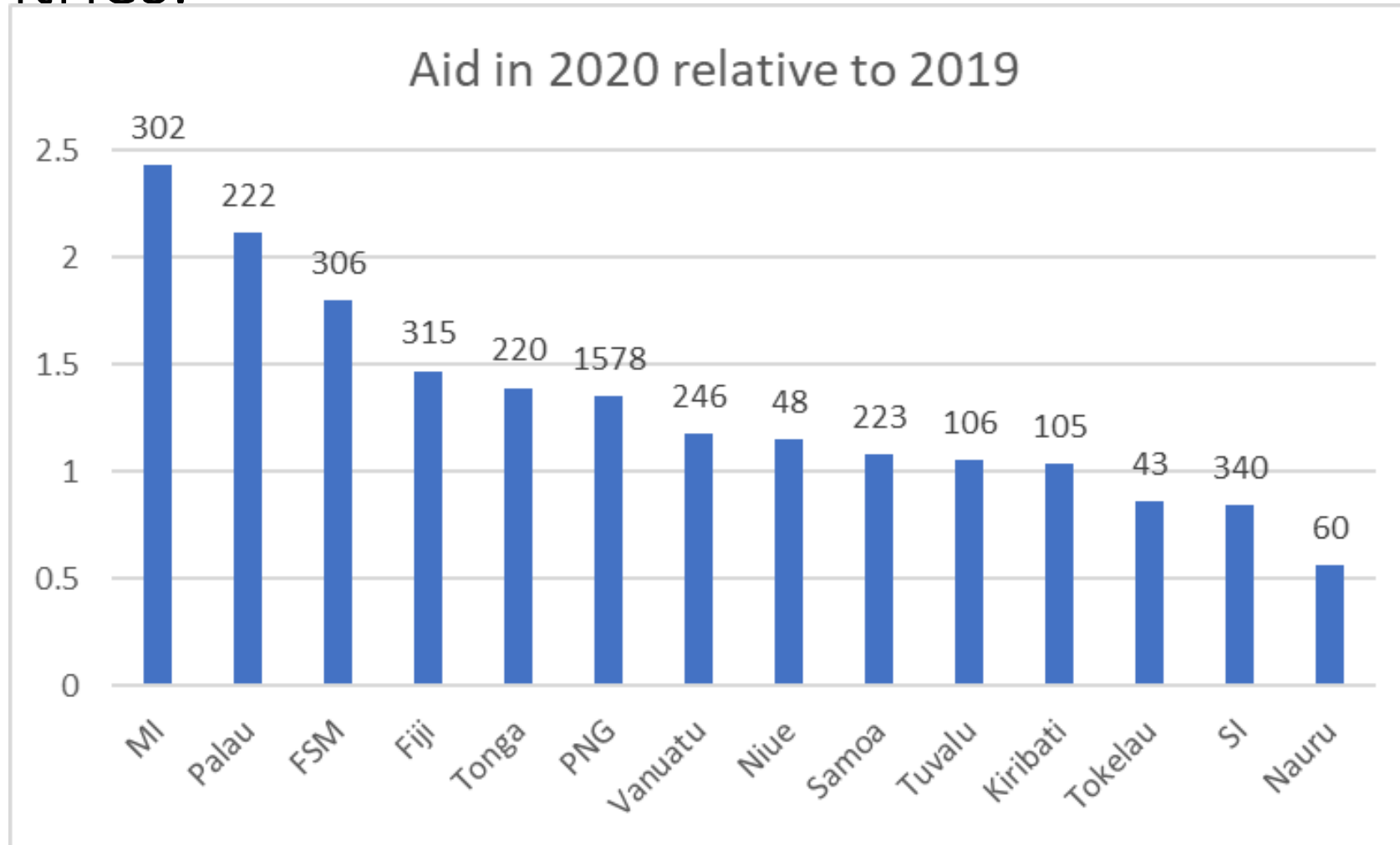
Fishing license revenue a big strength for several countries

Fishing licence and access fee revenue, 2010 & 2019



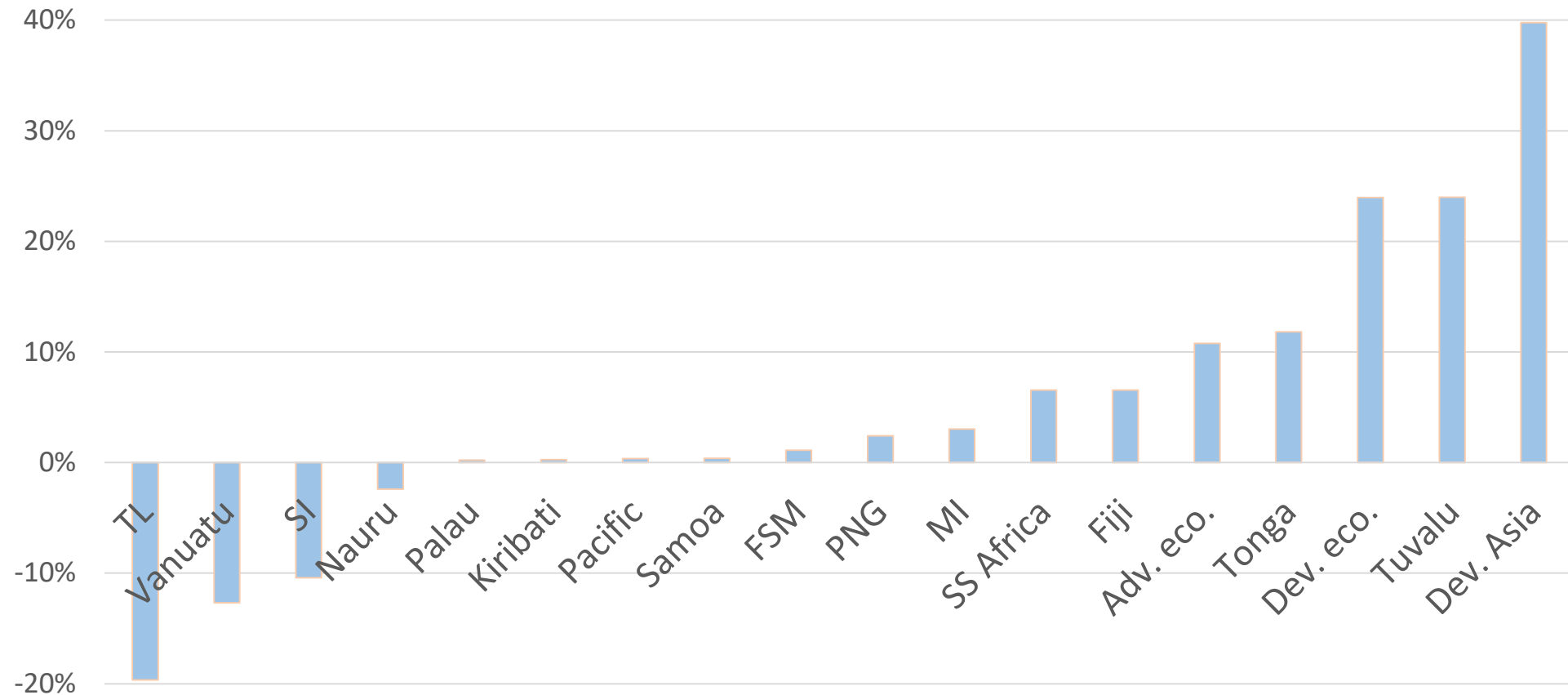
Source: Pacific Islands Forum Fisheries Agency (FFA) Economic and Development Indicators and Statistics

Increased aid disbursements have helped many countries.



(g) Slow trend growth

Cumulative projected real growth in per capita GDP, 2019 to 2027



Source: IMF World Economic Outlook Database (April 2022)

Conclusion

- Regional strengths
 - Government debt increase contained in most countries
 - Relatively strong external positions
- Regional risks
 - Future inflation
 - Global slowdown
 - Reversion to slow trend growth
- Country-specific factors
 - Variable vaccination rates and impacts of COVID
 - Commodity price shocks

Conclusion

- Overall
 - The combination of a heavy negative shock and slow trend growth leads to the risk of a lost decade for the Pacific, especially
 - Given global risks and
 - For those countries with relatively high population growth.
- Policy responses
 - Strategies for lifting growth.
 - Alternatives to domestic growth - labour mobility.
 - Extension of donor support provided during COVID.

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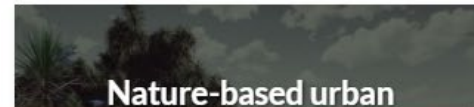
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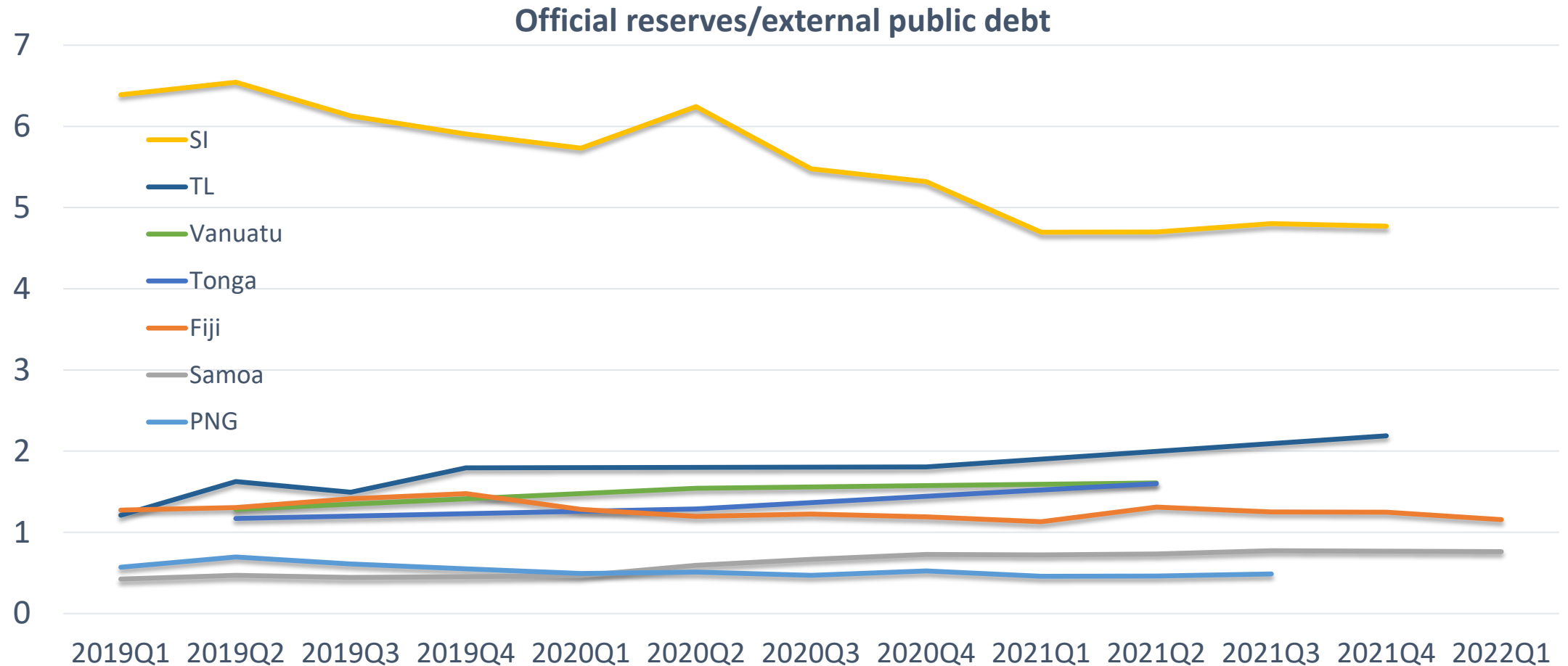
Ronny Koprap on [How can Papua New Guinea gain more opportunities for seasonal work in Australia and New Zealand?](#)

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Reserves-to-external-public-debt mainly stable



Source: calculated from various government and Central Bank documents