



Australian Government

Department of Foreign Affairs and Trade

Pathways to recovery post COVID-19 in Pacific Island Economies

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WHAT ARE THE IMPACTS OF COVID-19 IN THE PACIFIC?

1) The PICs economies have been severely affected – with loss of tourism, remittances, and for some falls in commodity prices.

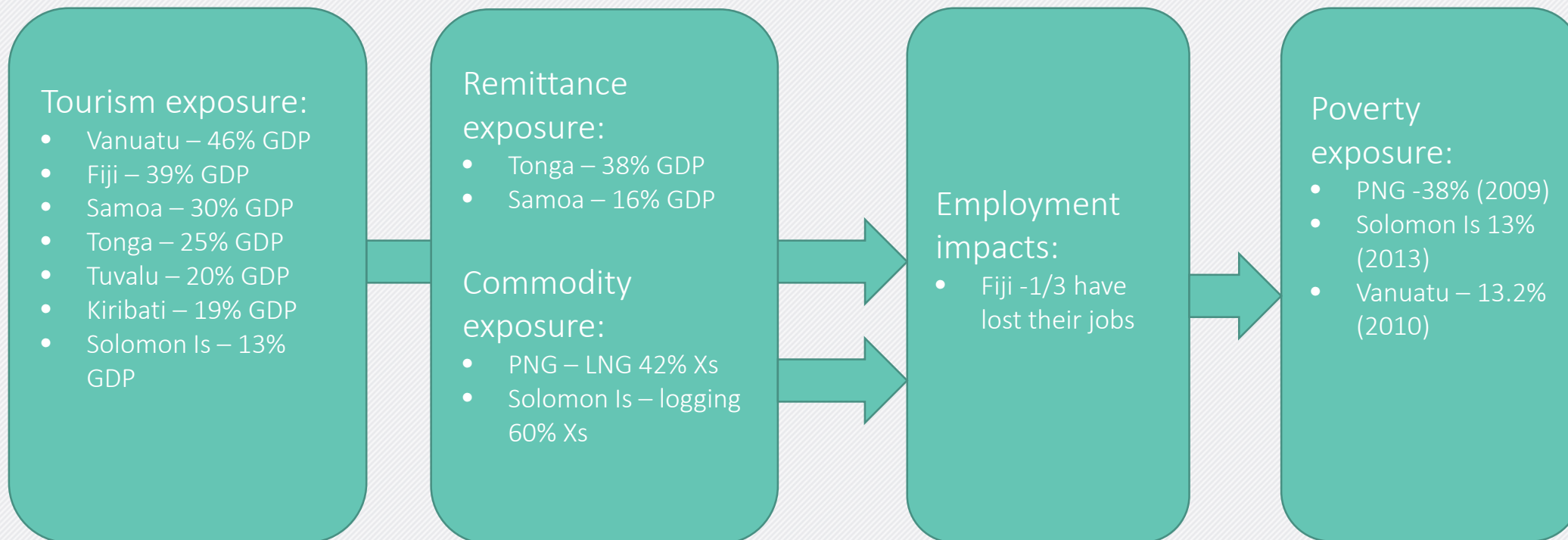
2) Government revenue has been disproportionately affected, while expenditure needs have risen, not least for social protection.

Very limited capacity to finance additional debt for some PICs.

3) PICs Traditional protection systems (Wantok, remittances, agriculture) were already under pressure, and some PICs had high levels of external debt.



TOURISM AND REMITTANCE DEPENDENT ECONOMIES ARE HARDEST HIT BY THE ECONOMIC SHOCK BUT SHUT DOWNS ARE ALSO COSTLY



Source: South Pacific Islands Travel
<https://corporate.southpacificislands.travel/wp-content/uploads/2020/05/Pacific-Tourism-Sector-Status-report-Final.pdf>

Source: Remittances:
<https://www.worldbank.org/en/topic/labormarkets/brief/migration-and-remittances>

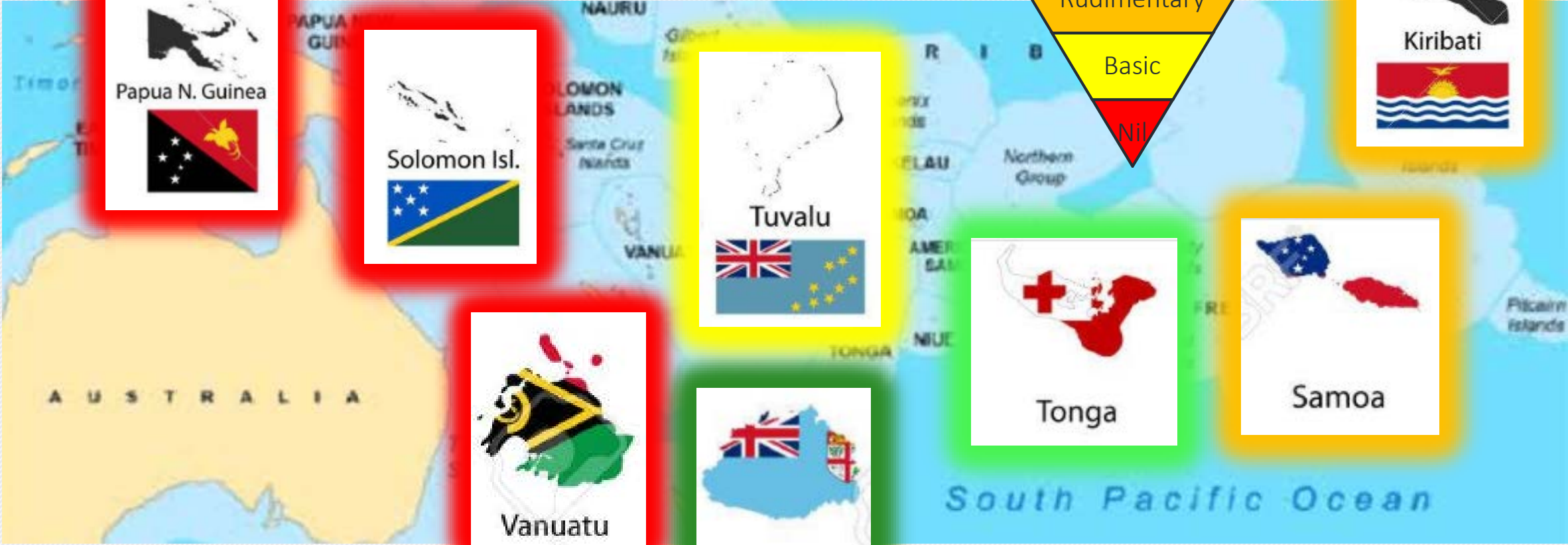
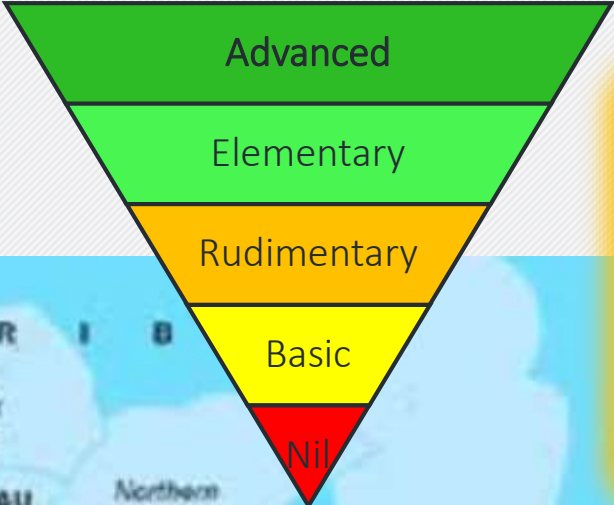
Commodity exposure:
PNG: PNG Treasury:
https://www.treasury.gov.pg/html/national_budget/files/2020/2020%20Budget%20Volume%201.pdf

Solomon Islands: Ministry of Finance:
www.mof.gov.sb/Libraries/2020_Budget_Documents/2020_Financial_Policy_Objectives_and_Strategies_Volume_1.sflb.ashx

Source: <https://www.fiji.gov.fj/Media-Centre/Speeches/HON-AIYAZ-SAYED-KHAIYUM-S-2020-2021-NATIONAL-BUDGE>

Source: PovcalNet:
<http://iresearch.worldbank.org/PovcalNet/povOnDemand.aspx>

SOCIAL PROTECTION IN THE PACIFIC



Source: DFAT

WHERE WILL RECOVERY COME FROM?

Pre covid-19 economy
Exports as a driver of growth

- Tourism
- Pacific labour market
- Resources
- Fishing

Government as a driver of growth

- Economic services
- Human services

- Global recovery
- Local stability
- Access to finance

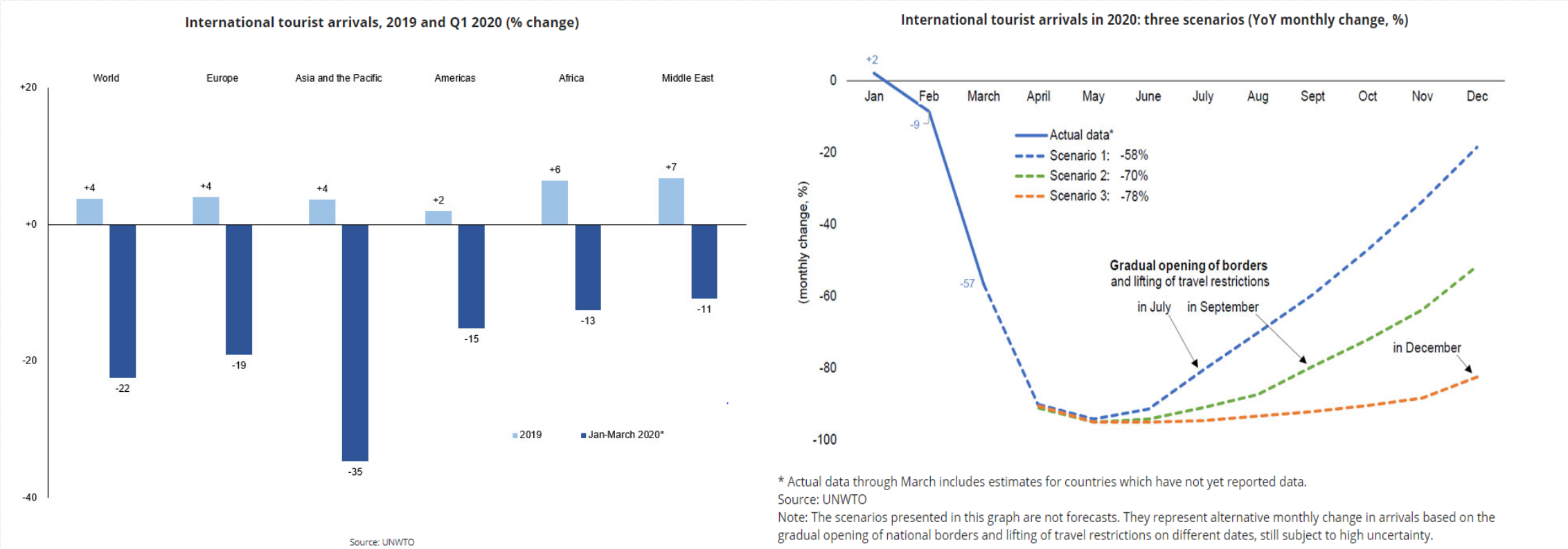
Post covid-19 economy
Local production

- Subsistence agriculture
- Economic services
- Human services

Export recovery sequence

- Resources
- Ag/fishing/forestry
- Labour
- Tourism

INTERNATIONAL TOURISM RECOVERY WILL TAKE SEVERAL YEARS



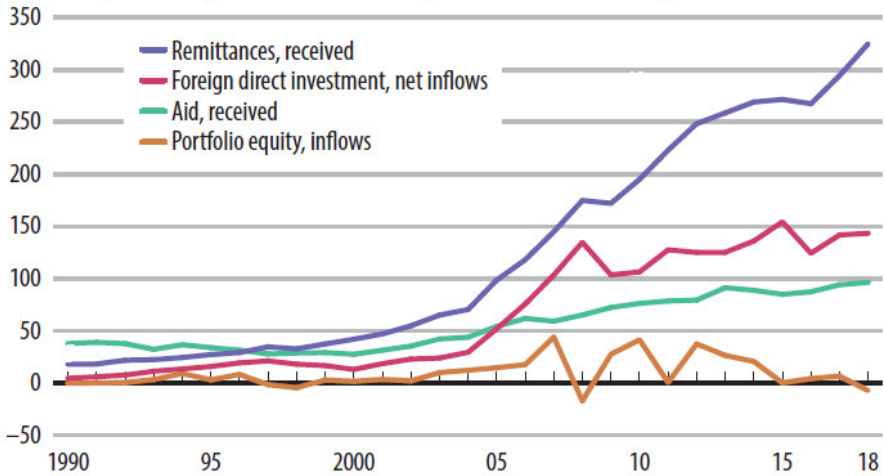
REMITTANCES WILL TAKE TIME TO RECOVER

Chart 1

Stabilizing force

Remittances are vital for many low-income and fragile states, serving as a lifeline for these countries when they experience a macroeconomic shock.

(inflows to poor and fragile countries: 1990–2018, in billions of current dollars)



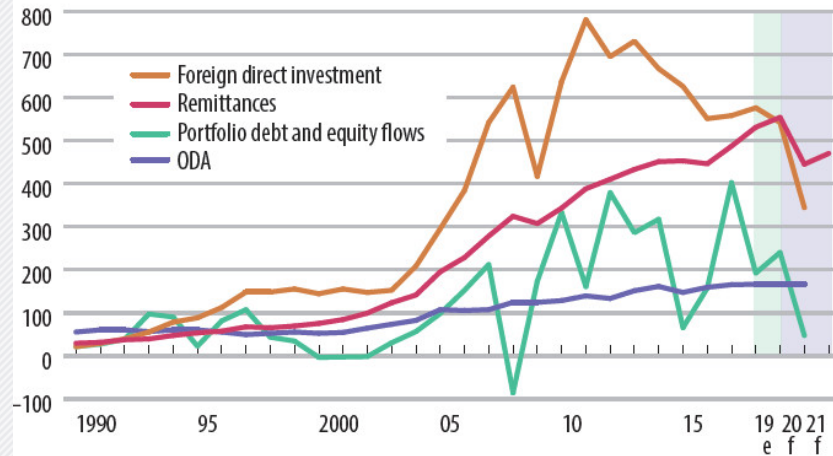
Source: World Bank, World Development Indicators.

Chart 3

Steep drop

Global remittance flows are expected to fall 20 percent this year as a result of the pandemic, deepening hardship for families in poor countries.

(billion dollars)



Sources: World Bank, World Development Indicators; and World Bank Development Prospects Group.

Note: e = estimate; f = forecast; ODA = official development assistance.

Source: IMF Finance and Development, June 2020

WE NEED TO PLAN FOR THE NEXT FOUR YEARS – NOT JUST THIS YEAR

	Key factors	FY20/21	FY21/22	FY22/23	FY23/24
Government Fiscal Situation Fiscal gap financing	1. Expenditure 2. Revenue projection 3. Domestic and external borrowing <ul style="list-style-type: none"> • IFIs • Other donors 	Deficit/GDP	Deficit/GDP	Deficit/GDP	Deficit/GDP
Economic Security Maintaining basic services	1. Social protection 2. COVID case numbers 3. Health system 4. Education	Expenditure/GDP	Expenditure/GDP	Expenditure/GDP	Expenditure/GDP
Economic Infrastructure Services Maintaining basic services	1. Utility funding 2. SOE reform, debt sustainability 3. Privatisation/reform 4. Regulation	Expenditure/GDP	Expenditure/GDP	Expenditure/GDP	Expenditure/GDP
Private Sector Recovery Revenue recovery	1. Agriculture and fisheries 2. Mining, oil and gas 3. Remittances 4. Tourism 5. Manufacturing	GDP growth	GDP growth	GDP growth	GDP growth
Social Stability Maintaining social stability	1. Poverty rates 2. Employment 3. Income distribution 4. Governance	All factors are supported by social stability			