

# Pacific Economic Monitor launched in Vanuatu

by Tess Newton Cain  
20 January 2015

The ADB's *Pacific Economic Monitor* (PEM) is now well established as a biannual flagship publication of the bank, but a new milestone was achieved on 1 December when it was launched in Port Vila, Vanuatu, for the first time. The editor-in-chief, Christopher Edmonds (Senior Economist) spoke to the regional overview and Nancy Wells (ADB/World Bank Development Coordinator) provided more detail pertaining to the Vanuatu chapter.

The PEM notes that at the global level, growth forecasts have softened with weaker growth in developed economies than previously expected. Global output for 2014 is now predicted to be 3%, rather than the previously predicted 3.5%. However, the outlook for the major economic partners of the Pacific island region remains relatively strong with Australian GDP expected to rise from 2.4% in 2013 to around 2.8% in 2015 and New Zealand GDP growing from 2.6% in 2013 to 3.2% in 2014 with a slight reduction in 2015 to 3.0%. That is not to say there are not constraints, including the unemployment rate in Australia which, in September of 2014, reached its highest since 2013 at 6.1%.

The PEM notes two highlights from the Pacific island region. First is an increase in revenue collection in the smaller economies. There is particular reference to increased revenue from fishing licences to countries such as Kiribati and the Federated States of Micronesia largely thanks to the rigorous implementation of the vessel day scheme by the *Parties to the Nauru Agreement* and the *Forum Fisheries Agency*. The second highlight is the larger economies' plans to limit expenditure growth in 2015. The PNG budget is aimed at stabilising spending growth with a view to reducing its deficit. However, as has been *discussed elsewhere*, putting this plan into action may be easier said than done.

With reference to Vanuatu, the bank is projecting growth of just over 4% for 2015 and inflation is also expected to rise slightly to 3%. The material contained in the PEM predicts small deficits for both 2014 and 2015 and this has caused some small concern to the Ministry of Finance of Economic Management. Officials who attended the presentation reminded those present that the *Public Finance and Economic Management Act* does not allow for deficit budgets and that the Ministry had ensured that the actual budgets for 2014 and 2015 were in compliance with the legislation. This discrepancy arises from ADB analysts using the data available at the time of preparation, which has since been superseded by more recent

## DEVPOLICYBLOG

information prepared by the government. This will be reflected in subsequent PEMs.

Elsewhere, the PEM reflects that tourism arrivals for Vanuatu are holding steady at in excess of 100,000 per year, with Australia and New Zealand remaining the core markets. Two areas of caution are that the government should identify ways to control expenditure (e.g. on **tertiary scholarships**) and look to develop alternative sources of revenue in the medium term.

### **Author/s:**

#### **Tess Newton Cain**

Dr Tess Newton Cain is an Associate of the Development Policy Centre and an adjunct Associate Professor at the Griffith Asia Institute.

Link: <https://devpolicy.org/pacific-economic-monitor-launched-in-vanuatu-20150120/>