### Regional Economic Outlook

### PACIFIC ECONOMIC MONITOR

July 2013 issue

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#### July 2013

www.adb.org/pacmonito

The Manifor provides an update of developments in Pacific economies and explores topical policy issues.

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Economic indicators

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#### Highlights

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- Emerging risks to growth, Midway through the year, the economies of ADB's 14 developing member countries in the Pacific are performing breadly in line with earlier growth projections, with regional growth expected to moderate alightly in 2013. The expected dowdown is more pronounced than anticipated at the tart of the year, with growth in the region now projected to moderate to 5.0% in 2013, down from 7.6% in the previous year. The 2013 growth projection for Timor-Leste has been downgraded as government spending was well below budgeted levels in the first quarter. Similar risks to near-term growth prospects are emerging in Papua New Guinese (PNG).
- Growth in the Pacific islands (i.e., the Pacific region excluding PNG and Timor-Lasta) is now projected to slow to 2.0% in 2013 From 2.5% last year. The outlook has softened from earlier in the year, mostly due to a substantial downgrade in the growth projection for Solomon Islands, which, in turn, is driven by weeker-than-expected gold production in early 2013. Growth projections for Kiribati and Nasru have also been downgraded, reflecting continuing delays in the implementation of planned infrastructure projects in the former, and heightened political risks and a more subdued outlook for phosphate exports in the latter.
- Inflation in the Pacific region is now projected to accelerate to 5.7% in 2013, as rising public expenditure and weakening regional currencies are seen to fuel price pressures. Inflation expectations, however, have lessened compared with earlier in the year, primarily because the impact of Cyclone Exam on prices in Fiji and Samoe has been lower than anticipated. In contrast, the 2013 inflation projection for Solemon Islands is raised owing to heavy price pressures at the start of the year.
- Higher growth in 2014 in line with improved global prospects. The International Monetary Fund's lettest assessment of 2013 global growth prospects it slightly more subdused, with growth now projected to be about the same pace as last year. This reflects the negative impact of public spending cuts not 50 growth and lingering issues in the Euro area as it heads into a second consecutive year of recession. A recovery is expected in 2014 due to higher growth in Asia and the US, and a projected and of the recession in Europe.
- The more positive global economic outlook is expected to spill over into the Pacific and increase growth in the region to 3.5% in 2014. Commencement of PNG's figurefied natural gas exports, along with post cyclone reconstruction efforts and infrastructure work in a few smaller Pacific islands, prompt the higher growth forecast. Inflation is projected to accelerate to 5.9% in 2014 with increased economic activity.
- Changing essentials ties. The briefs in this issue consider regional cooperation and integration (RCI) developments in the Pacific. The first brief examines the rining importance of treals between the economics of the South Pacific and developing Asia. The second brief, contributed by the Eart-West Contra, considers the performance of North Pacific economics in historical context, and assesses their economic prospects after the separation of the compacts of free association with the US. The third brief offers new estimates of trade costs in the Pacific, comparing these with saisting indicators. The final contribution, from the Crawford School of Public Policy, outlines RCI efforts in the Caribbean and possible lessons these hold for the Pacific.



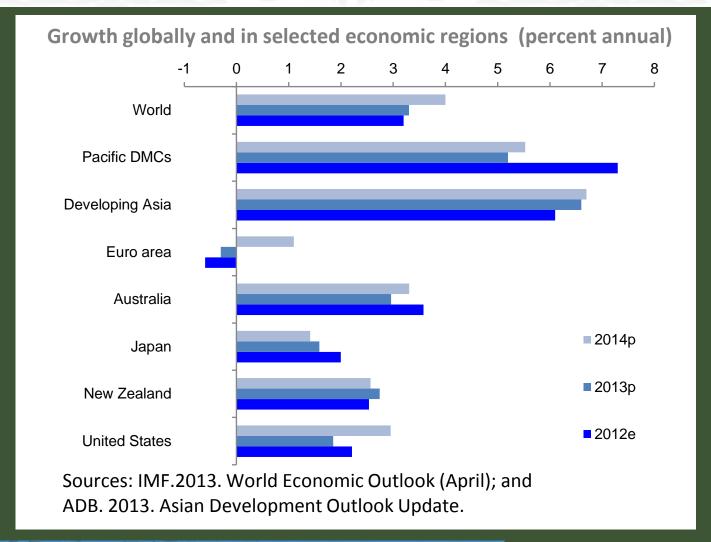
### Presentation planned

- International and regional developments
  - Global growth prospects; and Pacific trade, tourism, and remittances
- Developments in Pacific Economies
  - Common economic policy issues and challenges
- Policy Theme—regional economic cooperation and integration



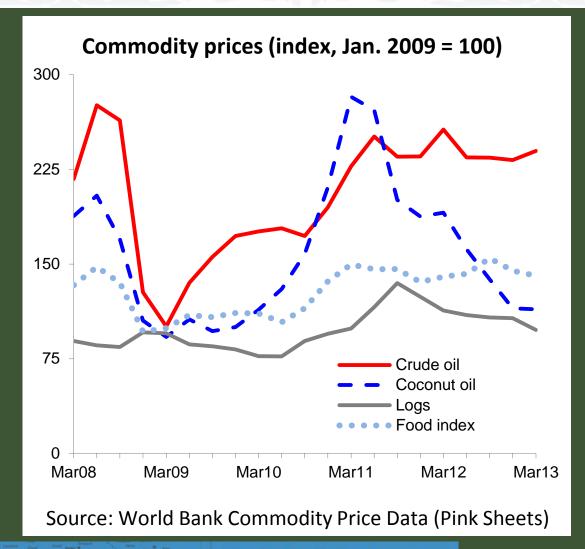
### International and regional developments

• Weak global economy: Outlook generally improving in 2014



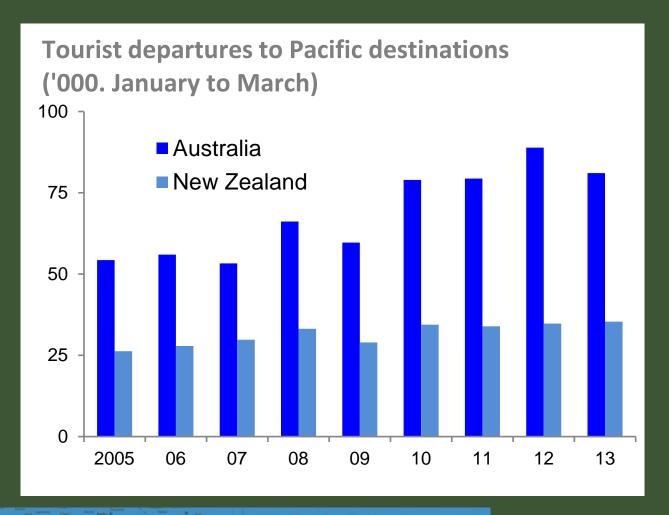


# Continuing price declines, leading to falls in export earnings



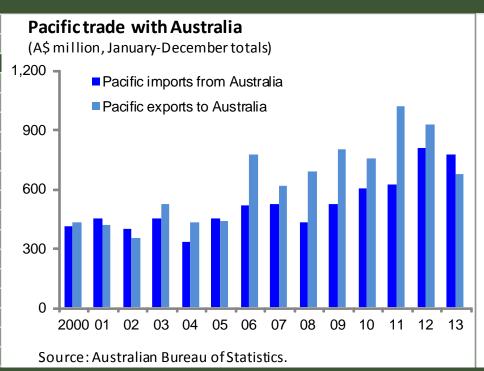


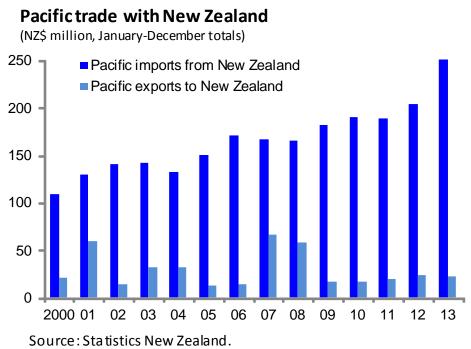
## Tourism to the Pacific down from 2012 high, but generally remains robust





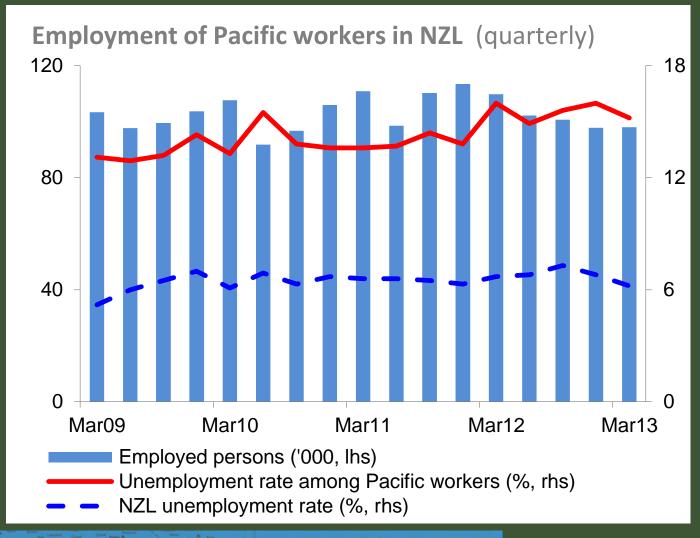
## Mixed trends for Pacific trade with Australia and New Zealand







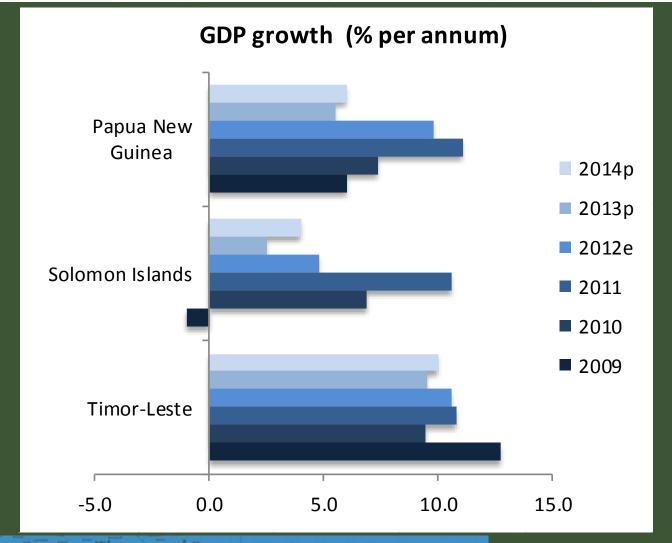
# **Employment overseas & remittances- Slight decline of employment in NZ**





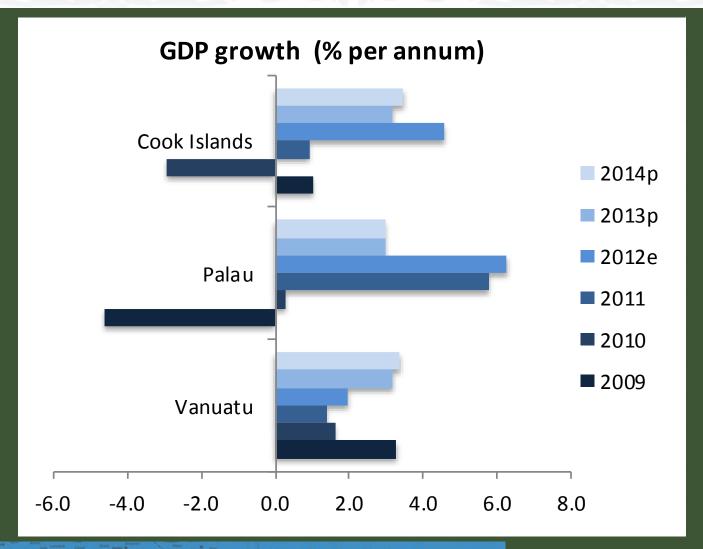
### Growth and inflation trends in the Pacific

Growth in larger resource exporting economies



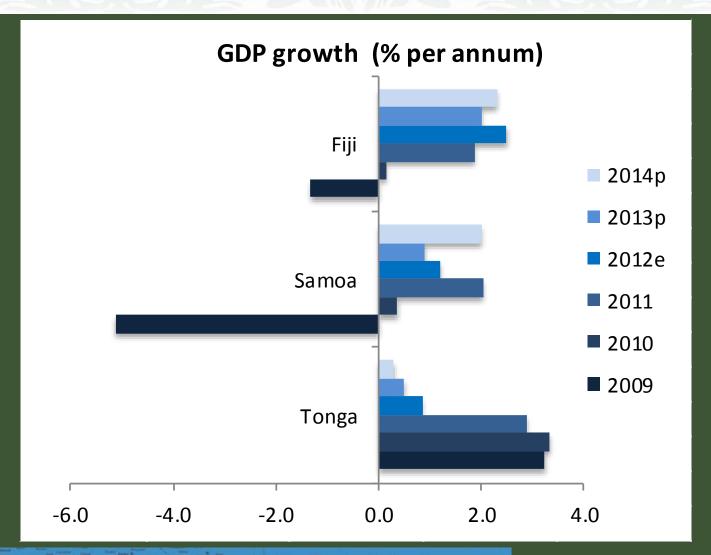


#### Growth in tourism oriented economies



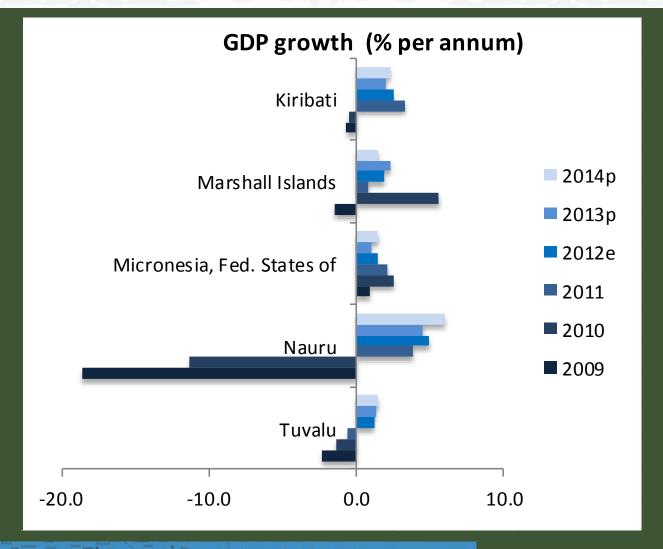


## Growth in relatively diversified South Pacific economies





#### Growth in the smallest Pacific economies





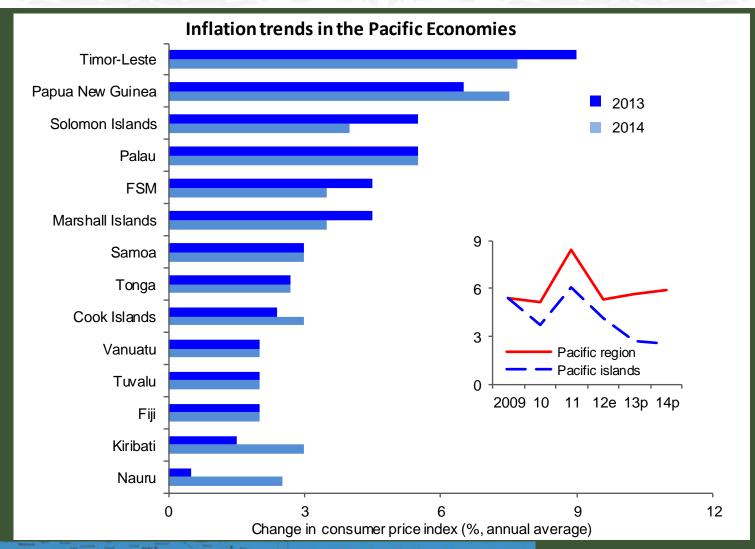
#### Group averages (2009-2014)

GDP growth	2008	2009	2010	2011	2012e	2013p	2014p
Large resource exporters (PNG, SOL, TIM)	8.7	7.1	7.8	11.0	9.8	6.3	6.9
Tourism-oriented economies (COO, PAL, VAN)	2.3	1.7	0.5	1.9	3.2	3.2	3.4
Relatively diversified South Pacific economies(FIJ, SAM, TON)	1.5	-1.4	0.4	2.0	2.2	1.7	2.1



Smallest Pacific islands (KIR, RMI, FSM, NAU, TUV)

#### Inflation trends in the Pacific economies





### Policy Theme: Progress and prospects for Pacific regional economic cooperation and integration

### Four articles exploring the Pacific's changing external economic ties

- The emergence of the ASEAN, the PRC, and India as increasingly important trading partners for South Pacific economies.
- A new trade cost indicator for Pacific economies, compared to other existing indicators.
- Prospects of North Pacific economies upon conclusion of their compacts of free association with the US and highlights the need to reduce aid dependency in these countries.
- A contribution from the Crawford School of Public Policy examines the Caribbean's experiences with regional cooperation and integration for possible lessons for the Pacific.



## Thank you...







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