



FORUM ECONOMIC MINISTERS MEETING

21 – 23 July 2025

Suva, Fiji

**AGENDA ITEM 3 : REGIONAL UPDATE ON ECONOMIC STATE OF PLAY AND
OUTLOOK**

Purpose and Recommendations

Purpose

This paper provides an update on the economic state of play and outlook for the region, based on the following key economic indicators, including:

- i) real Gross Domestic Product (GDP) growth rate;
- ii) rates of consumer price inflation;
- iii) sector employment trends; and
- iv) debt and risk of debt distress.

The paper highlights the ongoing economic impacts of the war in Ukraine, the risks associated with the continuing conflicts between Israel and Hamas, Israel and Iran and broader global economic and geo-political uncertainties, including the recent trade and tariff measures introduced by the United States (U.S.) administration.

These concerns have been underscored by the World Bank’s recent downward revision of its global growth forecast for 2025, from 2.7% to 2.3%. This adjustment has been attributed to “trade tensions” and “policy uncertainty”. The Bank has also warned that the global economy is headed for its weakest performance in 17 years (barring the recessions caused by the 2007-2008 financial crisis and the pandemic).

Summary

Prior to the COVID-19 pandemic in early 2020, Pacific Island economies recorded an annual average growth rate in real Gross Domestic Product (GDP) of 4.7%, in aggregate, between 2014 and 2019. This positive trend was reversed in 2020 and 2021 with an average annual contraction rate of around 4.0%. Only Kiribati and Nauru ended 2021 with higher GDP levels higher than what was recorded in 2019.

With the reopening of borders in 2022 most Forum Island Countries (FICs) experienced growth in 2022 and into 2023, with the Cook Islands and Fiji recording particularly high rates of growth as tourist numbers recovered. However, most other Pacific Island economies have struggled to stimulate non-tourism related economic activity, although most have recovered to their pre-COVID levels of GDP.

For the region as a whole, the annual rate of growth in GDP has fallen steadily following the surge in 2022. For 2025 and 2026 the Asian Development Bank (ADB) estimates that the region will have a growth rate of 3.9% and 3.6% respectively. With the continuing

global economic uncertainties these forecasts are likely to change, particularly as the U.S tariff measures continue to be negotiated.

After being depressed during the COVID period, the rate of inflation across the region surged in 2022 as the Russian invasion of Ukraine caused disruptions to supply chains. The average annual inflation rate declined in 2023 and 2024 as supply chains and commodity markets steadied, but the rate of price increases is forecast to rise in 2025 and 2026, to 3.4% and 3.7% respectively, which is above the long-term average rate of around 3.0% per annum. Like the GDP growth rates, these forecasts are subject to a high level of uncertainty given the current global situation.

Whilst remittances from migrants in labour mobility schemes and permanent diasporas have supported remittance receiving households and families, there is little evidence that they enhance domestic economic activity beyond the retail and service sectors. In fact, remittances are shown to have minimal direct impacts on overall economic growth. Low rates of population growth and productivity also constrain enhanced economic growth.

The lack of economic opportunities in many FICs, coupled with the growing number of opportunities for overseas migration (both permanent and under labour mobility schemes), add to the uncertainties around the prospects for future sustainable domestic economic growth.

While a significant number of FICs remain at high risk of debt distress, forecasts indicate that gross debt to GDP ratios are expected to decline in most countries between 2024 to 2026. However, this will depend on the easing of fiscal pressures as economic recovery continues, as well as the effective implementation of fiscal consolidation measures as recommended in the recent International Monetary Fund (IMF) Article IV consultations.

A. PROBLEM STATEMENT/CONTEXT

1. The global economic landscape remains marred by significant uncertainty, driven by ongoing geopolitical tensions, protracted conflicts in Europe and the Middle East, and the evolving trade and tariff policies of the U.S. These developments are complicating global economic conditions, making it increasingly difficult to project inflationary and growth trajectories for the coming years. The heightened risk of a global economic recession, potentially exacerbated by protectionist measures, further clouds the horizon for FICs. In this context, it is both timely and prudent for FICs to review national development priorities and policy settings to enhance resilience against future external shocks.

2. For many Forum members, sustained and sustainable economic growth rates remain an ongoing challenge. While the majority have made progress in recovering from the impacts of the COVID-19 pandemic, several FICs have yet to return to pre-pandemic levels of economic activity. This reflects not only the severity of the pandemic's economic disruption, but also the broader structural vulnerabilities that make FICs particularly susceptible to external shocks,

whether from natural disasters, global market volatility, or geopolitical events. These shocks often have prolonged and compounding effects on small and open economies, impeding consistent growth, and undermining long-term development efforts.

3. Although consumer price inflation was moderate in most FICs over the pandemic, the cumulative effects of low economic growth, and job losses for many in the tourism sector, have exacerbated the impacts of even moderate inflationary pressures. The likely inflationary trend for the coming years is difficult to predict within the context of the global economy and risk environment.

B. MACROECONOMIC OUTLOOK

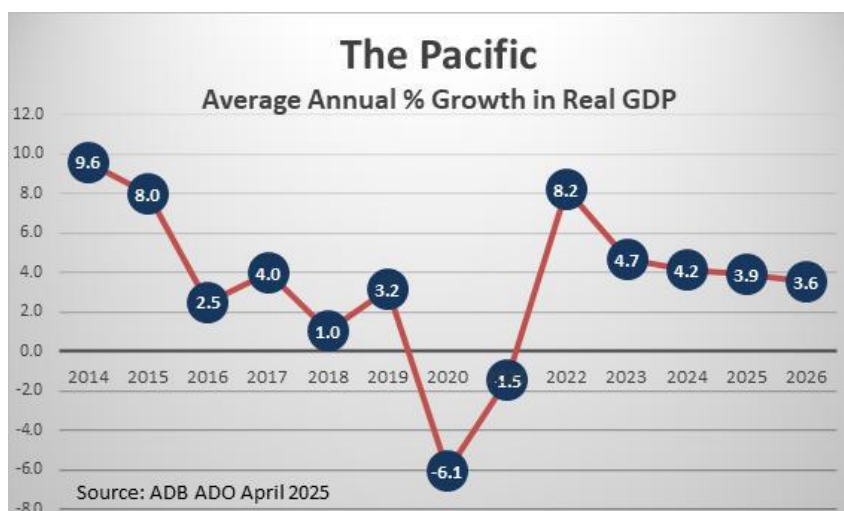
4. This section provides an overview of the current economic situation facing FICs, as well as the outlook for the region based on selected economic indicators, as well as policy options for enhanced economic growth. The data tables and charts used in this section, and an overview of policy options for consideration, are reflected at [Annex 1](#). Summaries of key country indicators are attached at [Annex 2](#).

Real GDP Growth Rates

5. The average annual growth rate of Pacific GDPs recovered sharply to a positive 6.5% over the two years 2022 and 2023, due in large part to tourism-related recovery in many FICs. Tourism revenues continued to improve while remittances increased marginally above pandemic levels. Overall, tourism was a primary driver of growth in tourism dependent Pacific GDPs, with Fiji and Samoa recording tourism numbers that exceeded pre-pandemic levels. Other economies, including Kiribati, benefitted from increased fishing-related revenues, while Papua New Guinea (PNG) enjoyed rising gold prices and other resource-related revenues.

6. By the end of 2023 the GDPs of nine FICs had recovered to 2019 pre-COVID levels. This trend has continued across most FICs, with many now well above pre-pandemic levels. The annual average growth rate across the region is estimated to be about 4.2% for 2024 (refer *Error! Reference source not found.*). However, by end of 2025, the levels of GDP in the Republic of the Marshall Islands (RMI) and Palau, are still expected to be below the 2019 levels (refer *Figure 1*). In 2025 and 2026 the ADB estimates that the GDP average annual growth rates for the region will be 3.9% and 3.6% respectively.

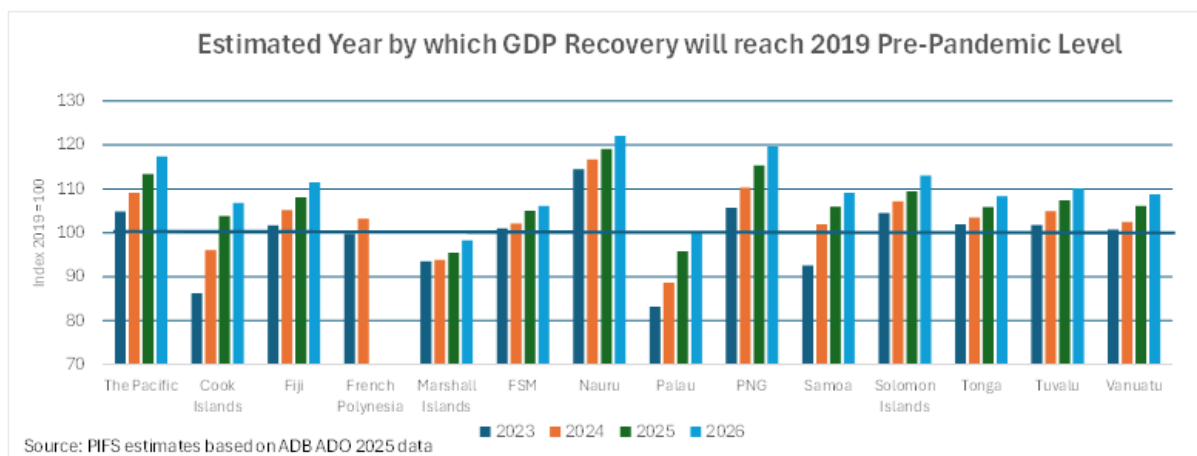
Figure 1: Pacific Annual Average percentage growth Real GDP



7. Despite **ongoing** GDP recovery in many FICs, and increasing populations, albeit at a lower rate than previously, particularly in Melanesia, GDP per capita in 2024 will likely remain below 2019 levels in nearly half of the FICs. It is estimated that real GDP per capita will still fall short of 2019 levels in Palau, Samoa, and Vanuatu, even by the end of 2025.

8. Challenges are compounded by low levels of investment, limited economic opportunities, and weak job creation, exacerbated by the continuing global uncertainties that are affecting global economic prospects. In addition, increasing migration, both permanent and through short-term labour mobility schemes, adds further uncertainty to the prospects for future, sustainable, domestic economic growth.

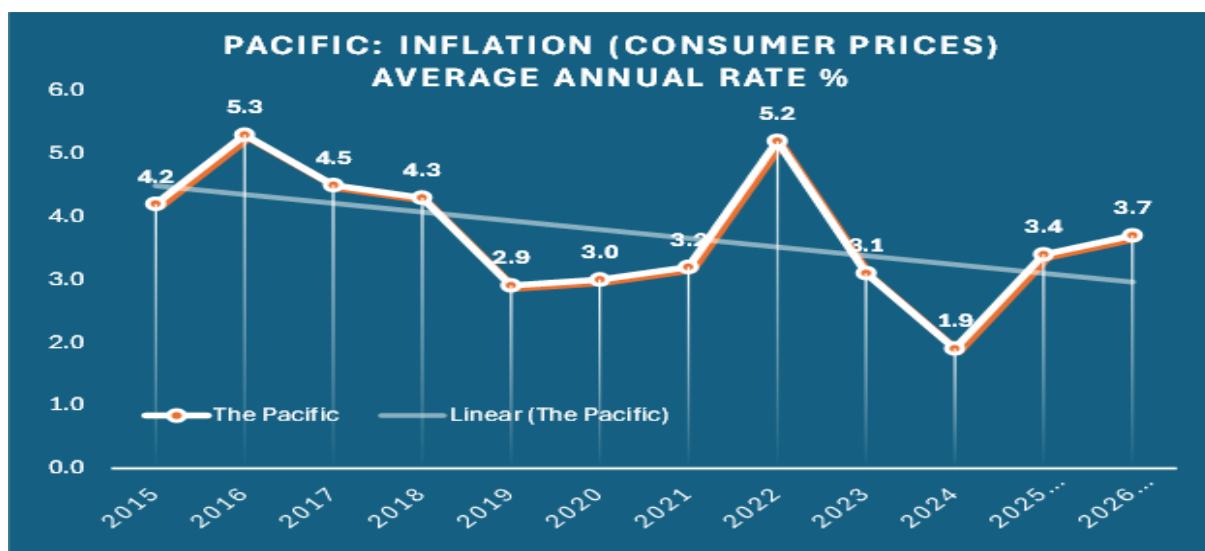
Figure 1: Estimated year by GDP Recovery will have Reached Pre-Pandemic Level



Inflation (Consumer Prices)

9. Inflation rates were on a declining trend before and during COVID-19 but surged in 2022 due to the war in Ukraine. The aggregate regional inflation rate declined again in 2023 and 2024 as commodity prices stabilised but are forecasted to return to the pre-Covid average annual rate of around 3.5%, between 2025 and 2026, (refer **Figure 2**).

Figure 2: Pacific Inflation (consumer Prices) Annual Average Rate (%) 2023



10. Notwithstanding the decline in the regional average inflation rate in 2024, inflation rates remain elevated for the region at country level, and the aggregate rate is projected to reach 3.7% in 2026. Commodity, oil, and transport costs are very volatile in the current global economic environment. Much depends on the U.S. tariff measures and the resolution, or otherwise, of the various conflicts affecting economic prospects. The average annual regional inflation rate has continued to show a slightly declining trend over the period, but this could be reversed if the current trade and tariff uncertainties disrupt supply chains and raise consumer prices.

11. Crude oil prices and global shipping costs show a positive correlation with the average annual inflation rate. Crude oil prices peaked at USD115 per barrel at the height of the Ukraine war in 2022 but have been gradually declining to under USD60 per barrel as of May 2025. Since May the global oil price has risen to about USD\$65 per barrel, due in part to the conflict between Israel and Iran.

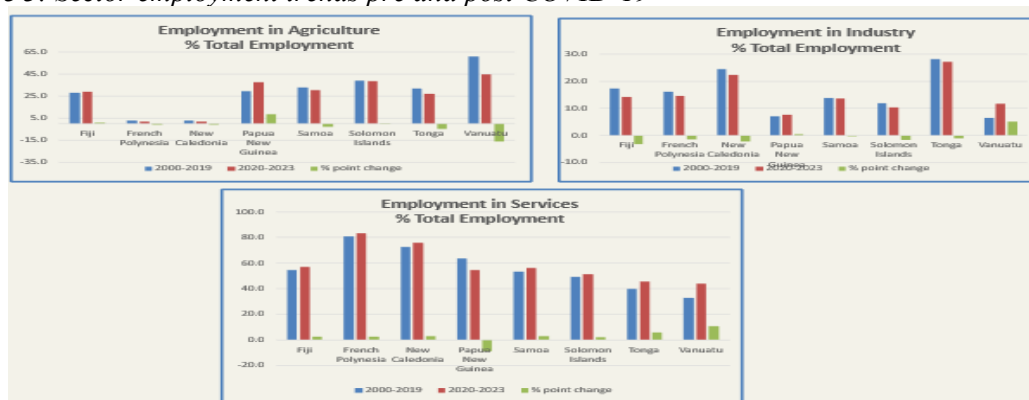
Sector Employment Trends

12. Employment trends varied across sectors, with notable changes in the employment percentages pre-and post-COVID-19 for the manufacturing, construction¹, agriculture, and services sectors², (refer **Figure 3**). This compares the average levels of employment between 2000 and 2019, and between the COVID impacted years of 2020 through 2023.

13. Data consolidated by the Secretariat shows that for most FICs, employment in agriculture has either been static or in decline. For example, Samoa, Tonga, and Vanuatu, recorded declines in the proportion of agricultural sector employment post-COVID, between 2020 through 2023, compared to the pre-COVID period, from 2000 through 2019. The decline in the share of agriculture in employment is likely the result of migration or labour mobility schemes. For the Industry sector, all countries for which data is available, with the exception of PNG and Vanuatu, also showed declines in the proportion of employment over the same periods. In contrast, every country except PNG saw increases in the proportion of employment in the services sector, that includes government, and most tourism and personal service activities.

14. While there has been a general increase in jobs created by the service sector across FICS, most remittance related expenditure is attributed to consumption and imports, and has few multiplier effects on national economies, to drive GDP growth.

Figure 3: Sector employment trends pre and post COVID-19



¹ Industry broadly covers jobs attributed to the manufacturing and construction sectors

² Services include jobs in tourism-related sectors

Debt and Risk of Debt Distress

15. The International Monetary Fund (IMF) has ranked several FICs at high risk of debt distress, although overall debt assessments remain "Sustainable" (refer Table 1). For all FICs except Tonga, Vanuatu, and Kiribati, gross debt is projected to decline over the two years 2025 and 2026, as economies continue to recover.

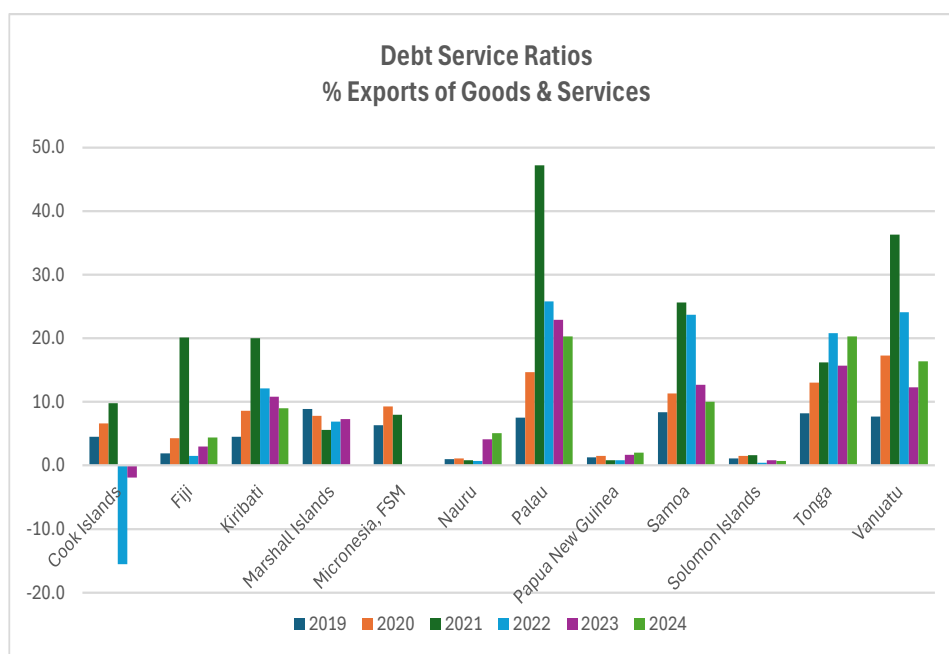
Table 1: Gross Debt % GDP & Risks of Debt Distress

Gross Debt % GDP & Risks of Debt Distress			
Country	Gross Debt to GDP % 2024	Risk of External Debt Distress	Debt Sustainability Assessment
Fiji	80.0	Moderate	Sustainable
Palau	69.7	Moderate	Sustainable
Papua New Guinea	53.7	High	Sustainable
Vanuatu	44.6	High	Sustainable
Tonga	38.2	High	Sustainable
Samoa	27.7	Moderate	Sustainable
Solomon Islands	22.0	Low	Sustainable
Nauru	17.6	Moderate	Sustainable
Marshall Islands	16.7	High	Sustainable
Micronesia	10.9	Moderate	Sustainable
Kiribati	9.9	High	Sustainable
Tuvalu	3.9	High	Sustainable

Source: IMF World Economic Outlook April 2025

16. Debt service ratios (as % of exports of goods and services) are estimated to be below 10% for all FICs except for Palau, Tonga, and Vanuatu, in 2024, (refer **Error! Reference source not found.**).

Figure 4: Debt Service Ratios 2019-2024



C. POTENTIAL IMPACTS OF US TRADE AND TARIFFS AND OTHER GLOBAL ECONOMIC UNCERTAINTIES

17. The fall in global oil prices, in anticipation of a global slowdown or recession, should translate into lower energy costs for FICs, at least in the short term until the global economic impacts of the new U.S. tariffs, and other global uncertainties, can be seen in trade and GDP data. The U.S. dollar has also weakened, which will assist FICs in the costs of importing goods (and services). Whether consumer prices in FICs change more broadly will depend on how the tariffs and economic uncertainties between the U.S. and other countries impact the global price level.

18. Provided that FICs do not impose across-the-board retaliatory tariffs on the U.S, then FIC consumer prices should not necessarily be adversely impacted.

19. The impacts of current global economic uncertainties, including US tariff policies and geo-political tensions will continue to be felt through indirect impacts, which may result in the following:

- **Tariffs on imports to the U.S. including canned tuna from FICs**, Indonesia, Thailand, Taiwan and/or China; such tariffs could cause a price increase for U.S. canned tuna and thereby potentially depress demand that could result in decreased fishing license revenues;
- **Tariffs on exports to the U.S. from Australia and New Zealand**, could have a direct and adverse impact on the economies of the two countries and thus potentially reduce the demand for labour under the PALM and RSE schemes. However, Australia has a small trade deficit with the U.S. and New Zealand has a small surplus. In neither case are the numbers significant. But like FICs, both Australia and NZ would be affected by any downturns in the performance of their own trade partners, especially China.
- **If the U.S. trade policies lead to a global trade war**, a global recession could follow, and this would lead to a general reduction in global economic activity, and would, like the Global Economic and Financial Crisis (GEFC) of 2007-2008 and the COVID pandemic of 2020-2021, result in a reduction of economic activity in the Pacific region.
- **Many FICs rely on tourism and remittances**, if a global recession leads to fewer tourists, fewer workers on labour mobility schemes, and consequently lower remittances and tourism activities/revenues, these will likely have adverse impacts on the economic performance of FICs, and fiscal balances, and may ultimately lead to greater levels of hardship and poverty.
- **Reductions in economic activity at the macro-level** have implications for both micro, small and medium enterprises (MSMEs) and families at the micro-level. MSMEs that are reliant on tourism or remittances may be affected.
- **FIC government revenues may decline** as with previous global recessions; potentially lower levels of fishing license revenues, decreased taxes on consumption expenditure from both corporate and personal taxation.
- **Migration could increase**, low economic growth rates and fewer employment opportunities in FIC economies or through labour mobility schemes, could encourage outward migration if the opportunity presents itself.
- **Development Assistance may decline further**, noting that the U.S. and the United Kingdom have cut Official Development Assistance. It is highly possible that other bilateral partners or multilateral agencies could follow suit if the global economy does go into a recession, and national fiscal situations worsens, or that Multilateral

Development Banks' finance replenishments do not meet targets to the extent that they may also reduce support to the region.

20. In anticipation of a slowdown or recession in the global economy it would be an opportune time for FIC governments to carefully assess their fiscal policies and national development priorities, with a view to embarking on a programme of structural and institutional reforms that improve the cost-effectiveness and efficiency of public expenditure.

21. Strengthening regional economic cooperation and integration, as envisaged by the 2050 Strategy, and guided by the PRED, would assist in building Pacific resilience in the face of these global economic and geo-political uncertainties.

22. In order to address the uncertainties in the global economic environment it is imperative that consideration be given to the following policy measures and interventions in order to build resilience, and to prepare for possible economic shocks:

a) Institutions and Governance

- Institutional and public sector management reforms to improve the efficiency and cost effectiveness of the public sector, and service delivery;
- Promoting private sector investment and employment through:
 - conducive and standardised regulatory frameworks;
 - promoting sound governance that reduces impediments and creates incentives for investment and entrepreneurship;
 - improved access to land and capital for investment; and
 - diversification of economic activity;
- Promoting regional economic cooperation, integration, and trade and employment through harmonising regulatory frameworks for intra-regional investment and human mobility;
- Empowering all people through adherence to the rule of law;
- Improving education and training for employment, entrepreneurship, and management; and
- Implementing a peer-to-peer coordinating facility as agreed to by the FEMM in 2024.


b) Economic Policies & Measures

Implementing the 2050 Strategy and the PRED through:

- Improving access to finance, including the high levels of liquidity in banking systems; and
 - Identifying viable investment opportunities, and minimising high loan default risks;
 - Facilitating loan guarantee/collateral services as a means to de-risk lending; and
 - Establishing sustainable correspondent banking facilities.
- Increasing public investment in high quality, resilient, economic infrastructure, including for tourism development;
- Reforming State Owned Enterprises (SOEs) to reduce subsidies and the resulting drain on budgets;
- Assessing the comparative advantage of each PIC:
 - Promoting economic diversification and value-adding processing, including in agriculture, fisheries and emerging sectors, utilising Artificial Intelligence (AI) and e-commerce.

23. These policies and measures may not resolve all of the challenges faced by FICs, but will nevertheless improve economic efficiency, and the effectiveness of service delivery, to create a stronger macroeconomic and fiscal framework for the future.

*Pacific Islands Forum Secretariat
Suva, Fiji
16 July 2025*



Annex 1

Agenda Item 3.B

Economic Update and Outlook

8th Pacific Economic Sub-Committee Meeting
June 12th 2025



PACIFIC ISLANDS FORUM



Background

In the three years since the end of the COVID-19 pandemic of 2020-2021 Pacific Island economies have almost all recovered to their pre-Covid levels of GDP, with some exceeding their pre-Covid GDP levels.

The challenge now is for all FICs to move to higher and sustainable rates of economic growth in a globally challenging and uncertain economic environment.

This presentation provides an overview of the current economic situation facing FICs and the outlook for the region based on selected key economic indicators and policy options for enhanced economic growth:

- Gross Domestic Product (GDP) growth rates
- Time to pre-Covid GDP Recovery
- Consumer Price Inflation Rates
- Sector Employment Trends
- Fiscal Balances
- Debt and Risk of Debt Distress
- Challenges to Sustainable Growth
- Policies and Opportunities to Achieve Sustainable Growth

Real GDP Growth – Aggregate for FICs



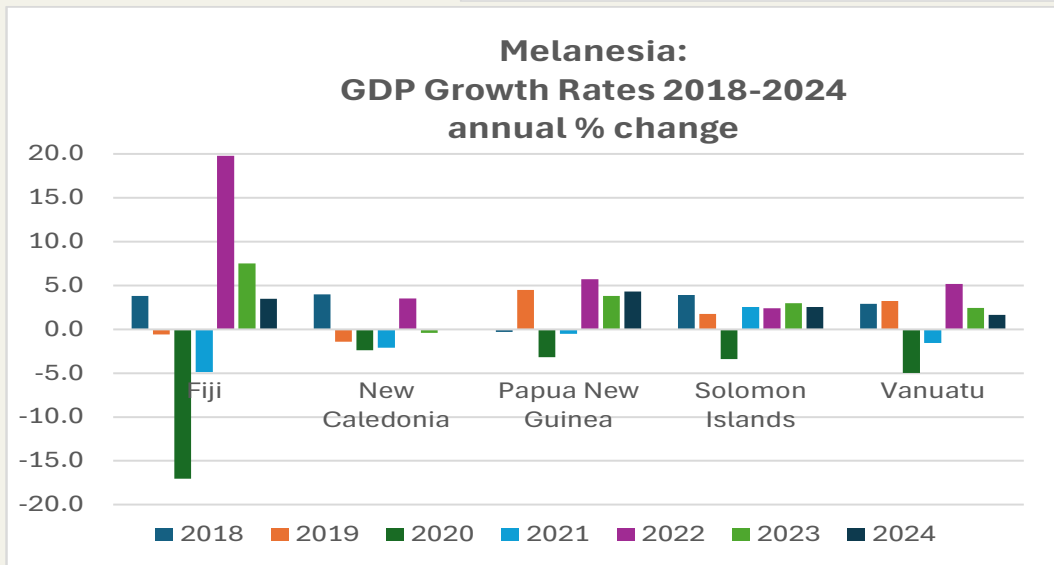
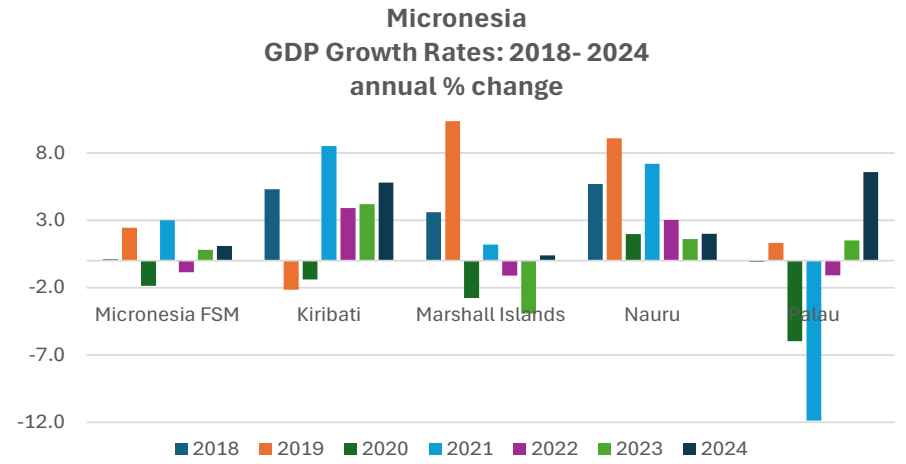
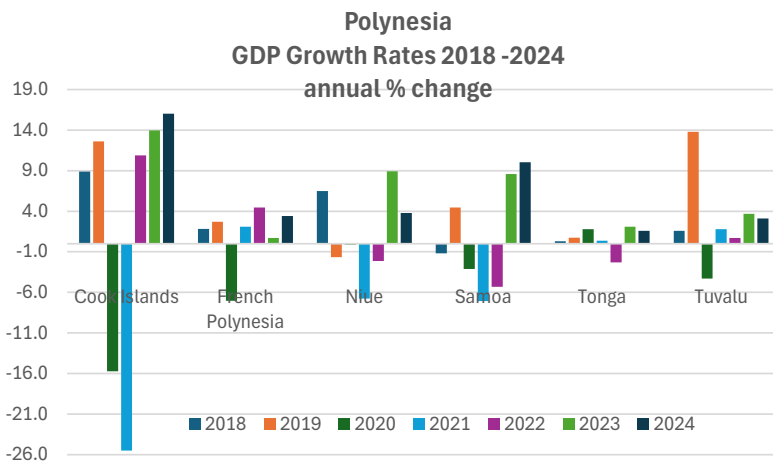
Real GDP Growth – Country GDP Growth Rates

% per annum

GDP Growth Rates (% per year)												Forecasts	
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
The Pacific	9.6	8.0	2.5	4.0	1.0	3.2	-6.1	-1.5	8.2	4.7	4.2	3.9	3.6
Cook Islands	5.4	5.7	4.9	9.5	5.7	15.3	-35.3	-0.8	21.1	10.9	11.4	8.1	2.9
Fiji	5.6	3.8	0.7	5.4	3.8	-0.6	-17.0	-4.9	19.8	7.5	3.5	3.0	3.2
French Polynesia	0.6	1.7	2.4	4.4	1.8	2.7	-7.1	2.1	4.5	0.7	3.4	...	...
Kiribati	-0.7	10.4	5.1	-0.2	5.3	-2.1	-1.4	8.5	3.9	4.2	5.8	4.1	3.3
Marshall Islands	-0.7	-0.6	1.8	3.3	3.6	10.4	-2.8	1.2	-1.1	-3.9	0.4	2.5	3.0
Micronesia FSM	-2.2	5.0	0.7	2.7	0.1	2.4	-1.9	3.0	-0.9	0.8	1.1	1.7	1.1
Nauru	36.5	2.8	10.4	-5.5	5.7	9.1	2.0	7.2	3.0	1.6	2.0	2.5	2.5
New Caledonia	...	...	...	...	4.0	-1.4	-2.4	-2.1	3.5	-0.4	0.0	...	...
Niue	...	...	3.4	3.2	6.5	-1.7	-0.2	-6.7	-2.1	8.9	3.8	3.4	3.0
Palau	3.1	10.4	0.5	-3.3	-0.1	1.3	-6.0	-11.9	-1.1	1.5	6.6	9.5	4.5
Papua New Guinea	12.5	10.5	2.0	3.5	-0.3	4.5	-3.2	-0.5	5.7	3.8	4.3	4.2	3.8
Samoa	1.2	1.7	7.2	1.1	-1.2	4.5	-3.1	-7.1	-5.3	8.6	10.0	5.5	3.0
Solomon Islands	1.8	2.6	3.4	5.3	3.9	1.7	-3.4	2.6	2.4	3.0	2.5	2.9	3.2
Tonga	2.1	3.7	3.1	3.3	0.3	0.7	1.8	0.4	-2.3	2.1	1.6	2.5	2.3
Tuvalu	2.2	9.1	3.0	3.4	1.6	13.8	-4.3	1.8	0.7	3.7	3.1	2.7	2.5
Vanuatu	2.3	0.2	3.5	6.3	2.9	3.2	-5.0	-1.6	5.2	2.4	1.7	2.0	2.5
Growth Rates	<0%	0-3%	>3%										
... = data not available.													
Sources: ADB ADO April 2025, World Bank WDI April 2025 & National Statistics Offices													

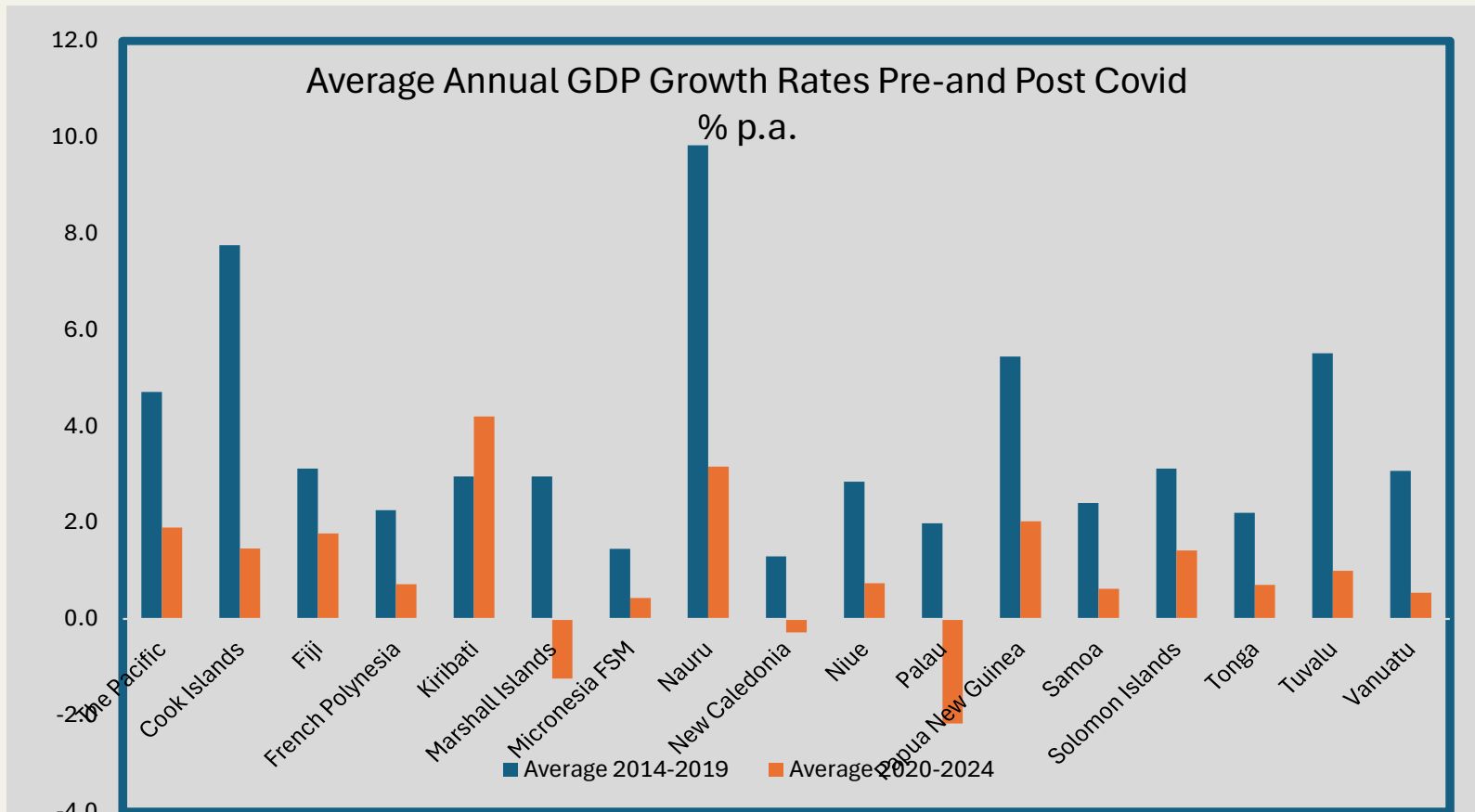
FICs Real GDP Growth Annual % Change

- Economic performance has been both volatile and variable between individual FICs;
- Countries most heavily reliant on tourism, notably Cook Islands, Fiji, Samoa and Palau, experienced the worst reductions in GDP as a consequence of Covid; while those
- Dependent more on fisheries including members of the PNA were less badly affected;
- However, the tourism dependent countries showed some of the sharpest recoveries post-Covid, notably Fiji and Cook Islands



Real GDP Growth - Pacific Islands Pre- and Post-COVID

- The region's average annual growth rates were significantly higher in the pre-Covid period from 2014-2019
- Between 2020 and 2024 Individual country average annual growth rates have been lower in all but one FIC (Kiribati); but
- With the exceptions of only Palau and Marshall Islands have recovered to pre-Covid levels of real GDP.

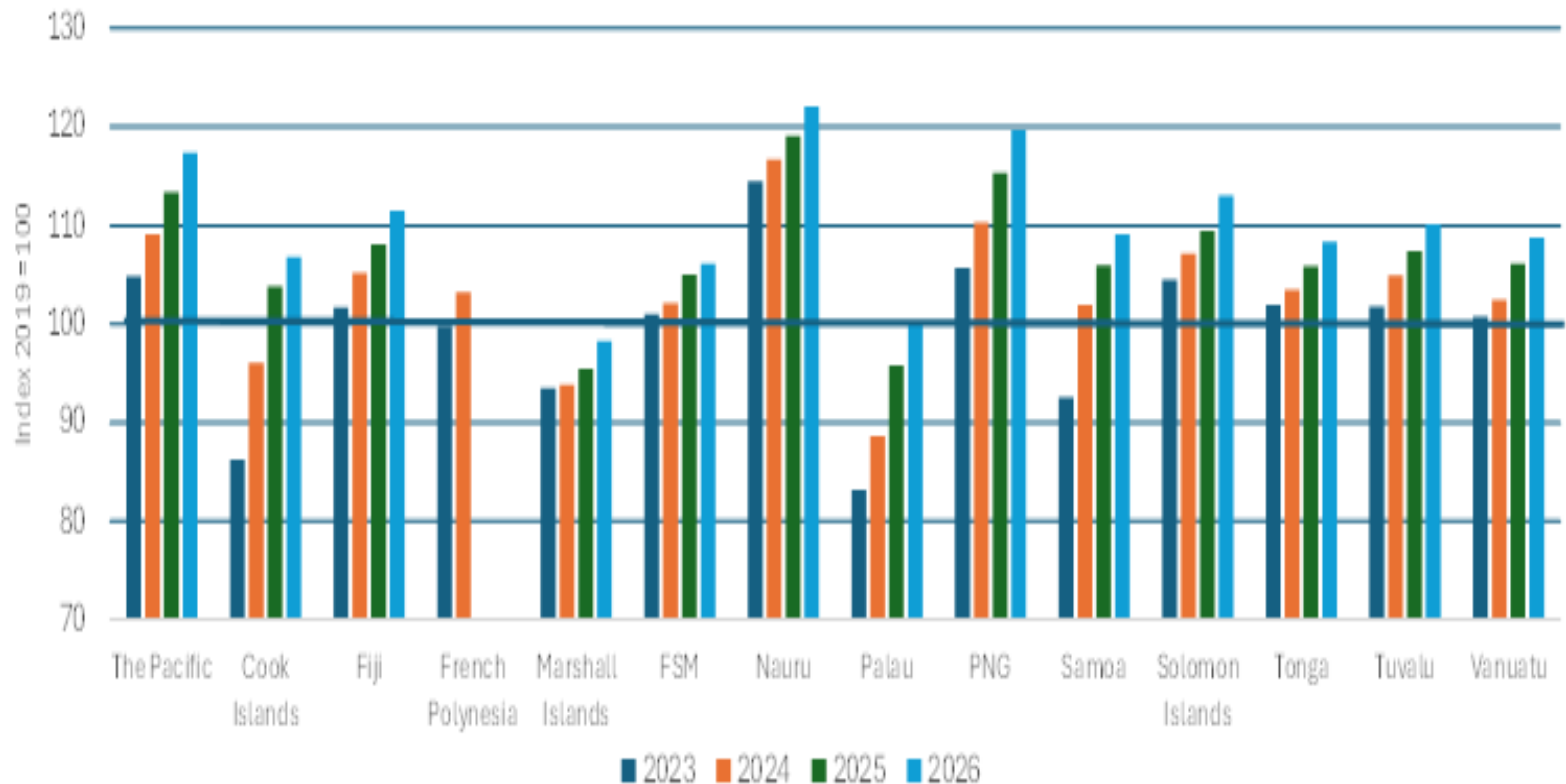


Source: ADB ADO April 2025, NSOs & PIFS Estimates

Real GDP Growth: Years to Pre-Covid Recovery

- FICs have taken varying lengths of time to recover to pre-Covid levels of GDP;
- Fiji recovered quickly with the return of tourists in record numbers;
- PNG, Nauru and Solomon islands also recovered quickly surpassing 2019 GDP in 2023 & 2024;
- Samoa and Cook Islands showed good recovery in 2023 but did not return to pre-Covid GDP levels to 2024 and 2025 respectively;
- Palau is expected to achieve full recovery in 2026, with Marshall Islands possibly achieving this in 2026 or 2027;

Estimated Year by which GDP Recovery will reach 2019 Pre-Pandemic Level



Source: PIFS estimates based on ADB ADO 2025 data

Real GDP Country Per Capita Growth Rates

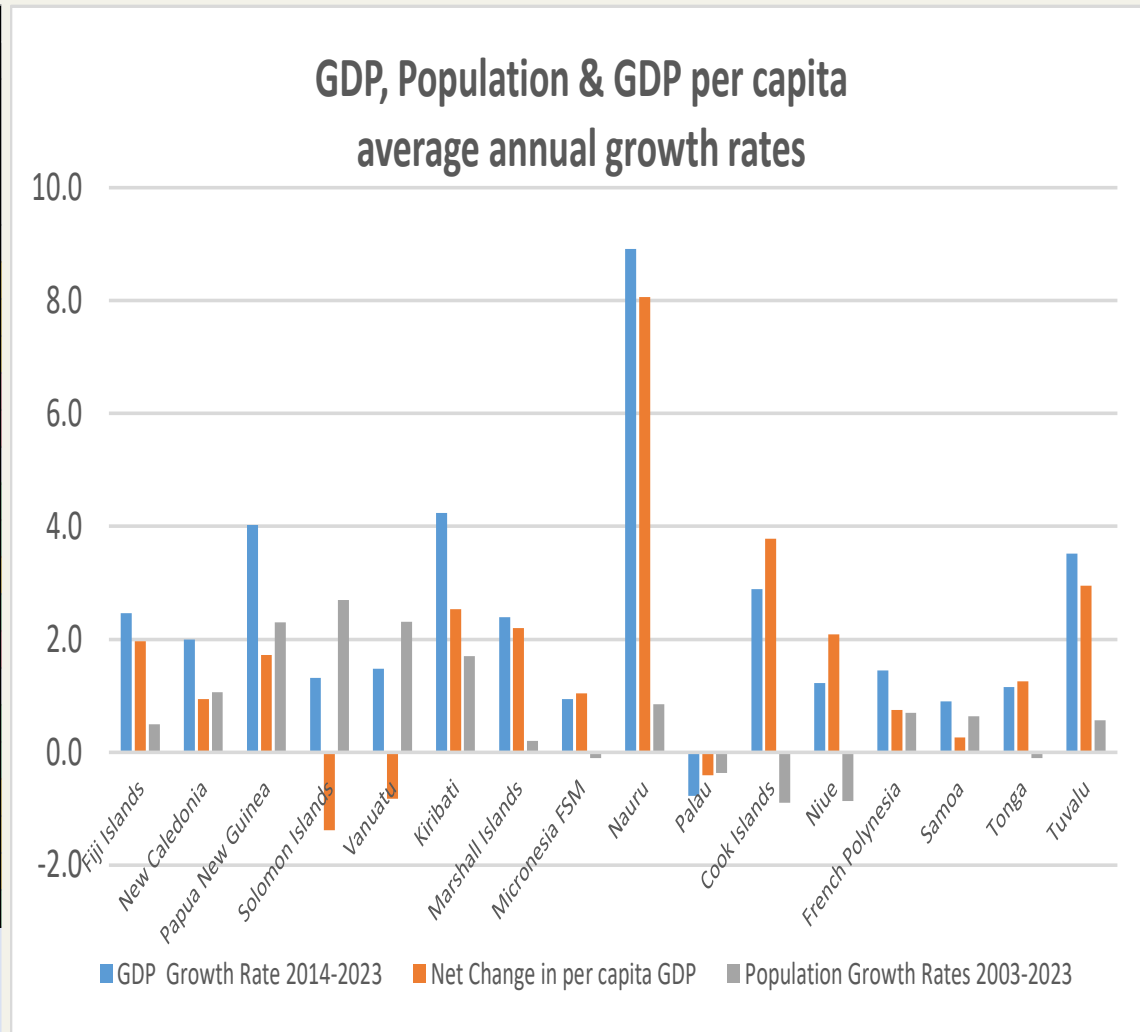
% per annum

GDP per capita: Estimated Growth Rates (% p.a.)														
The Pacific	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Forecast 2025	Forecast 2026	Per capita GNI \$ 2023
Cook Islands	6.3	6.6	5.8	10.4	6.6	16.2	-34.4	0.1	22.0	11.8	12.3	8.9	3.8	..
Fiji	5.1	3.3	0.2	4.9	3.3	-1.1	-17.5	-5.4	19.3	7.0	3.0	2.6	2.7	5,680
French Polynesia	-0.1	1.0	1.7	3.7	1.1	2.0	-7.8	1.4	3.8	0.0	2.7	...	...	..
Kiribati	-2.4	8.7	3.4	-1.9	3.6	-3.8	-3.1	6.8	2.2	2.5	4.1	2.4	1.6	3,740
Marshall Islands	-0.9	-0.8	1.6	3.1	3.4	10.2	-3.0	1.0	-1.3	-4.1	0.2	2.3	2.8	7,860
Micronesia FSM	-2.1	5.1	0.8	2.8	0.2	2.5	-1.8	3.1	-0.8	0.9	1.2	1.8	1.2	4,250
Nauru	35.7	2.0	9.6	-6.3	4.9	8.2	1.1	6.4	2.2	0.8	1.2	1.7	1.7	23,980
New Caledonia	...	...	...	...	2.9	-2.5	-3.5	-3.2	2.4	-1.5	-1.0	...	...	..
Niue	...	...	4.3	4.1	7.3	-0.8	0.7	-5.9	-1.3	9.8	4.6	4.3	3.8	..
Palau	3.5	10.8	0.9	-2.9	0.3	1.7	-5.6	-11.5	-0.7	1.9	6.9	9.8	4.8	14,110
Papua New Guinea	10.2	8.2	-0.3	1.2	-2.6	2.2	-5.5	-2.8	3.4	1.5	2.0	1.9	1.5	2,820
Samoa	0.6	1.1	6.6	0.5	-1.8	3.8	-3.7	-7.7	-5.9	7.9	9.4	4.9	2.4	4,200
Solomon Islands	-0.9	-0.1	0.7	2.6	1.2	-0.9	-6.1	-0.1	-0.3	0.3	-0.2	0.2	0.5	2,100
Tonga	2.2	3.8	3.2	3.4	0.4	0.8	1.9	0.5	-2.2	2.2	1.7	2.6	2.4	..
Tuvalu	1.6	8.5	2.4	2.8	1.0	13.2	-4.9	1.2	0.1	3.1	2.5	2.1	1.9	8,770
Vanuatu	-0.0	-2.1	1.2	4.0	0.6	0.9	-7.3	-3.9	2.9	0.1	-0.7	-0.3	0.2	3,820
Growth Rates	<0%	0-3%	>3%											
... = data not available.														
Sources: ADB ADO April 2025, World Bank WDI April 2025 & National Statistics Offices														

GDP, Population & GDP per capita Growth Rates

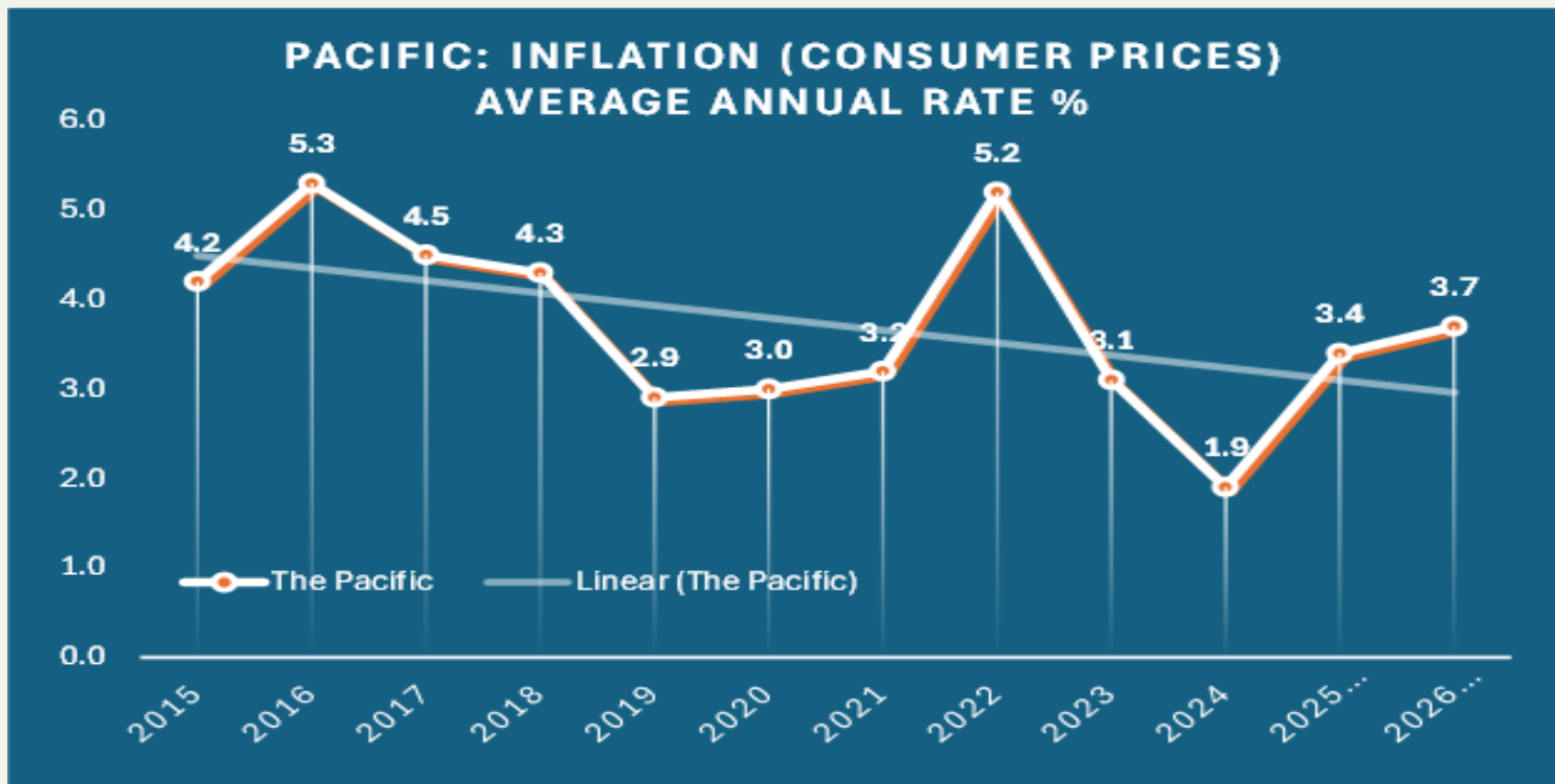
GDP, Population & GDP per capita			
	Average Annual Rates		
FICs	GDP Growth Rate 2014-2023	Population Growth Rates 2003-2023	Net Change in per capita GDP
Melanesia	A	B	A-B
Fiji Islands	2.5	0.5	2.0
New Caledonia	2.0	1.1	0.9
Papua New Guinea	4.0	2.3	1.7
Solomon Islands	1.3	2.7	-1.4
Vanuatu	1.5	2.3	-0.8
Micronesia			
Kiribati	4.2	1.7	2.5
Marshall Islands	2.4	0.2	2.2
Micronesia FSM	0.9	-0.1	1.0
Nauru	8.9	0.8	8.1
Palau	-0.8	-0.4	-0.4
Polynesia			
Cook Islands	2.9	-0.9	3.8
Niue	1.2	-0.9	2.1
French Polynesia	1.4	0.7	0.7
Samoa	0.9	0.6	0.3
Tonga	1.2	-0.1	1.3
Tuvalu	3.5	0.6	3.0

Sources: SPC Population Database:
[https://stats.pacificdata.org/vis?lc=en&df\[ds\]=SPC2&df\[id\]=DF_POCKET&df\[ag\]=SPC&df\[vs\]=3.0&dq=..POPYGR&pd=2003%2C2023&ly\[cl\]=INDICATOR&to\[TIME_PERIOD\]=false](https://stats.pacificdata.org/vis?lc=en&df[ds]=SPC2&df[id]=DF_POCKET&df[ag]=SPC&df[vs]=3.0&dq=..POPYGR&pd=2003%2C2023&ly[cl]=INDICATOR&to[TIME_PERIOD]=false)



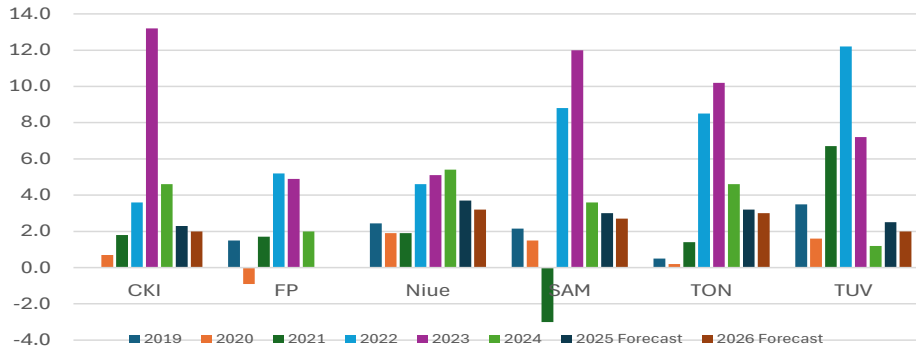
Pacific Aggregate Inflation (consumer prices) –

- > The aggregate rate of consumer price inflation was on a slightly declining trend prior to Covid around an average of 3% per annum;
- > During Covid, the rate of inflation was muted by the border closures, declines in demand and stock-outs as businesses were unable to replace stocks;
- > With the commencement of the war in Ukraine in 2022 prices surged, especially in energy and some basic commodities;
- > After the initial surge suppliers found alternatives and the rate of inflation declined in 2023 & 2024;
- > The US trade and tariff policies, and the uncertainty around global economic prospects have resulted in reduced shipping and energy costs since the beginning of 2025. These will likely be felt later in 2025 to mitigate the current projected rise in inflation.

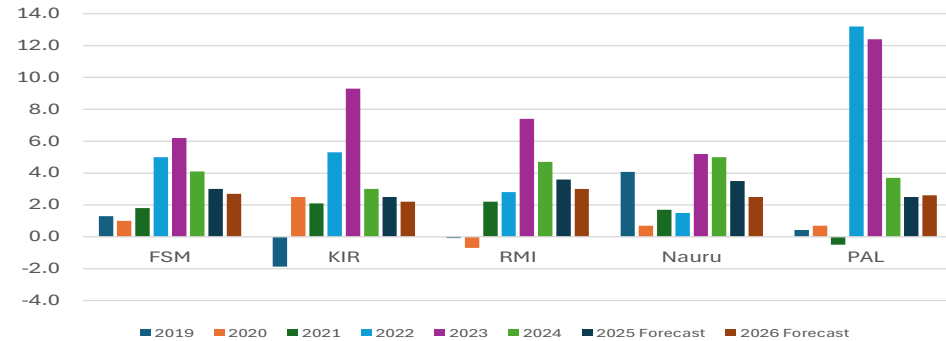


Inflation (consumer prices) FICs

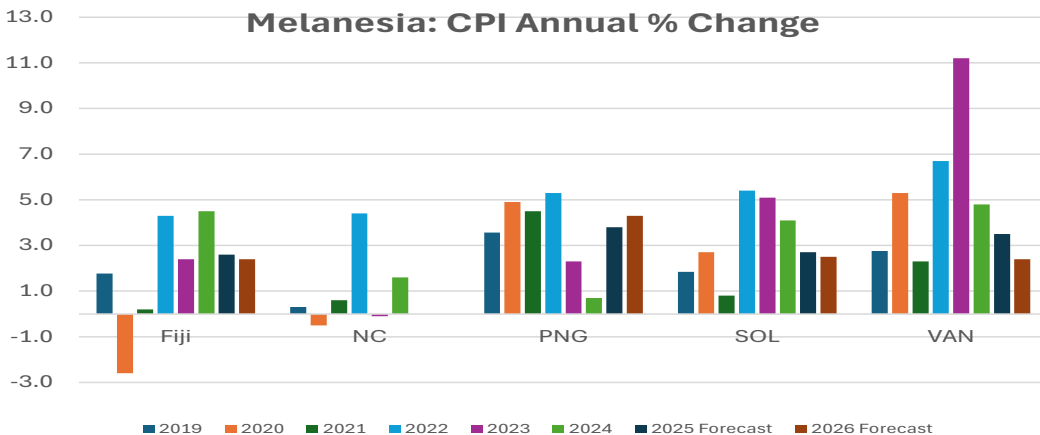
Polynesia: CPI Annual % Change



Micronesia: CPI Annual % Change



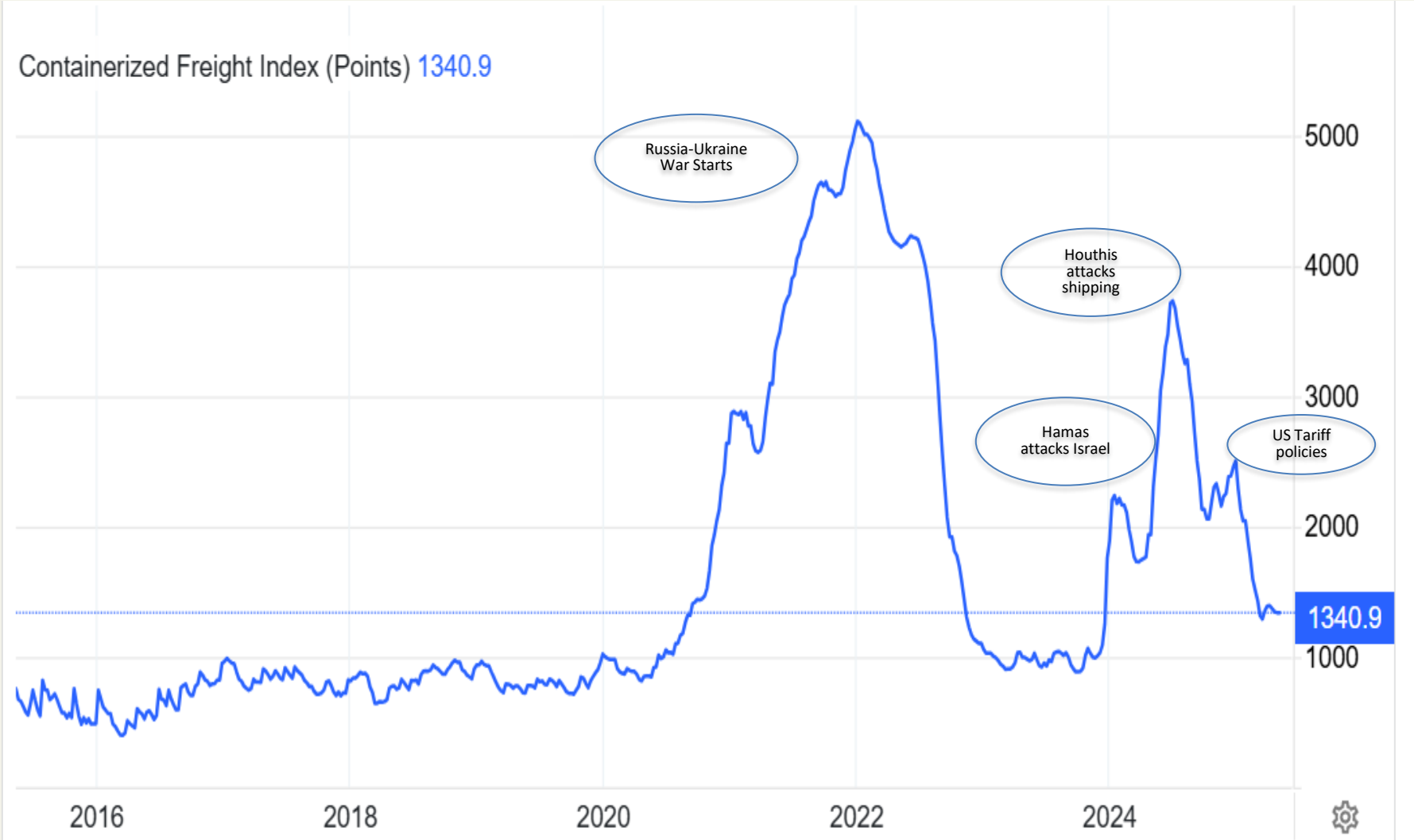
Melanesia: CPI Annual % Change



Crude Oil Price



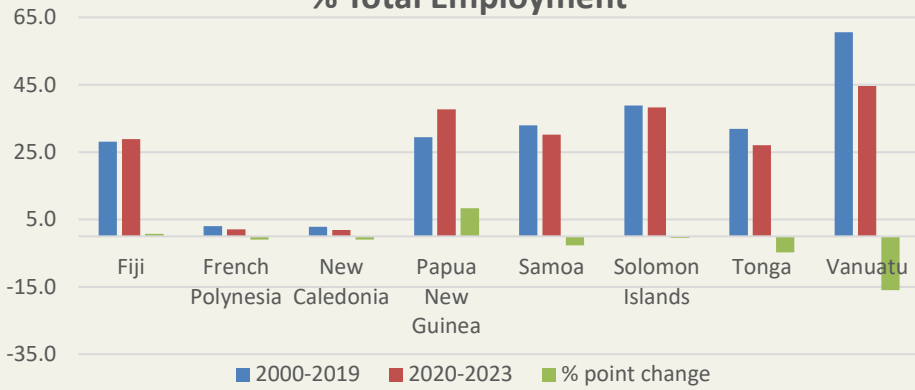
Global Shipping Costs



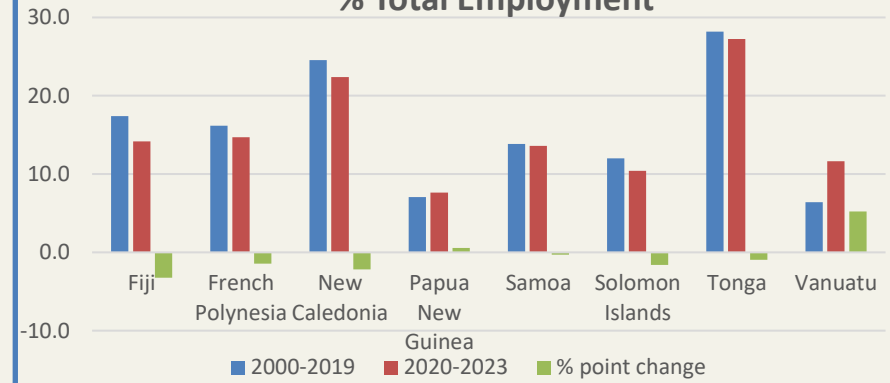
Source: Trading Economics

Sector Employment Trends: Pre- and Post Covid

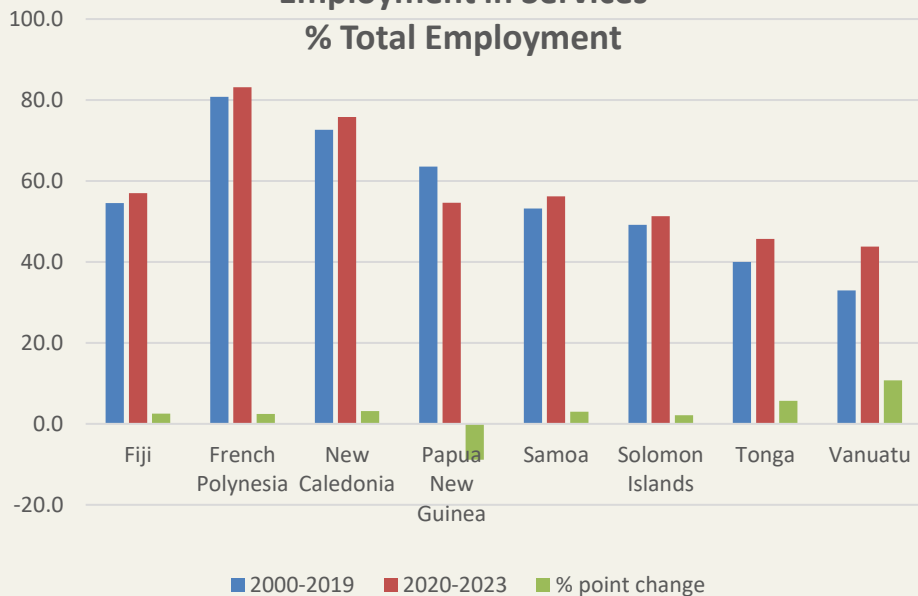
Employment in Agriculture % Total Employment



Employment in Industry % Total Employment

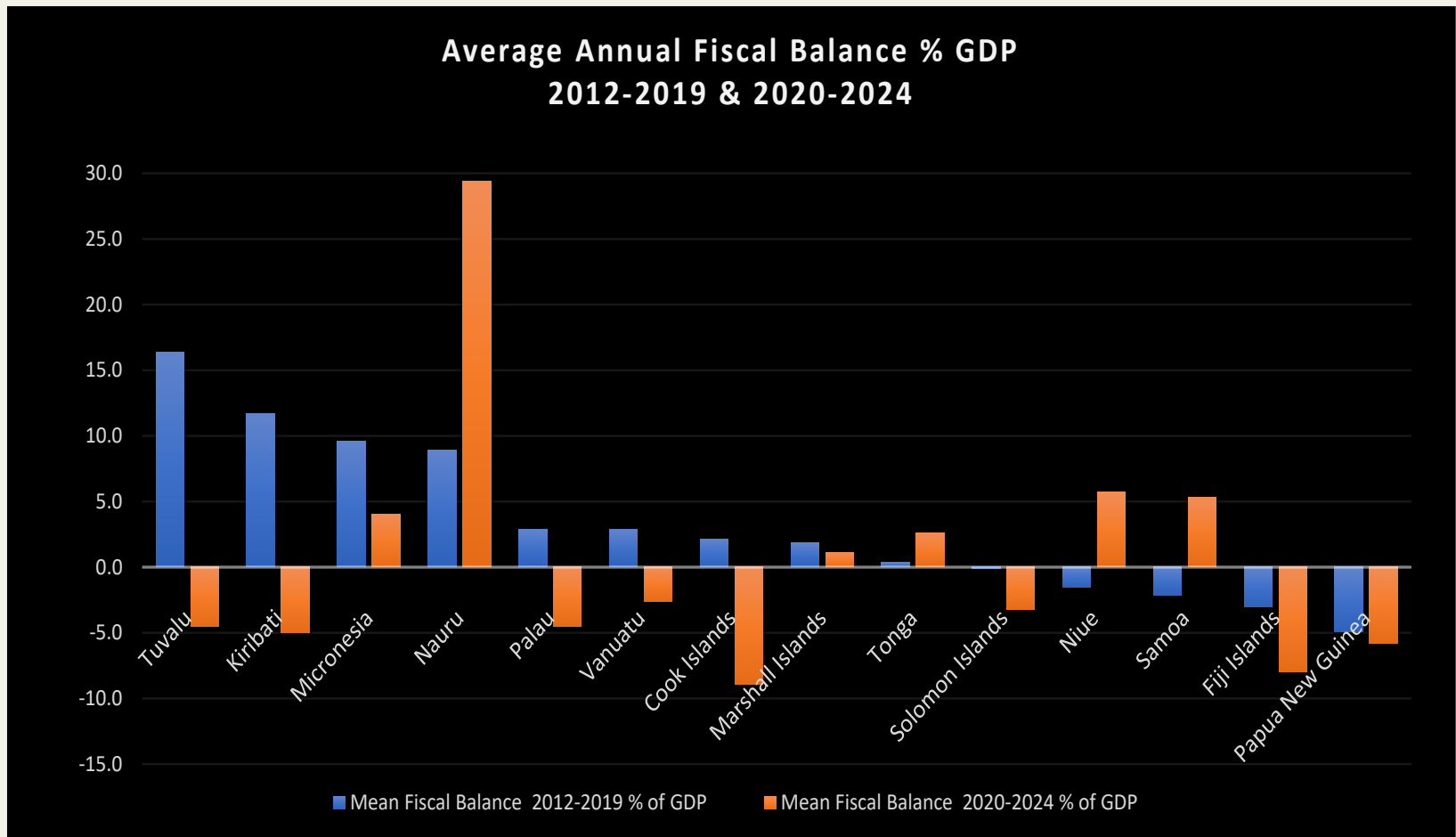


Employment in Services % Total Employment



Fiscal Balances Pre- and Post-Covid

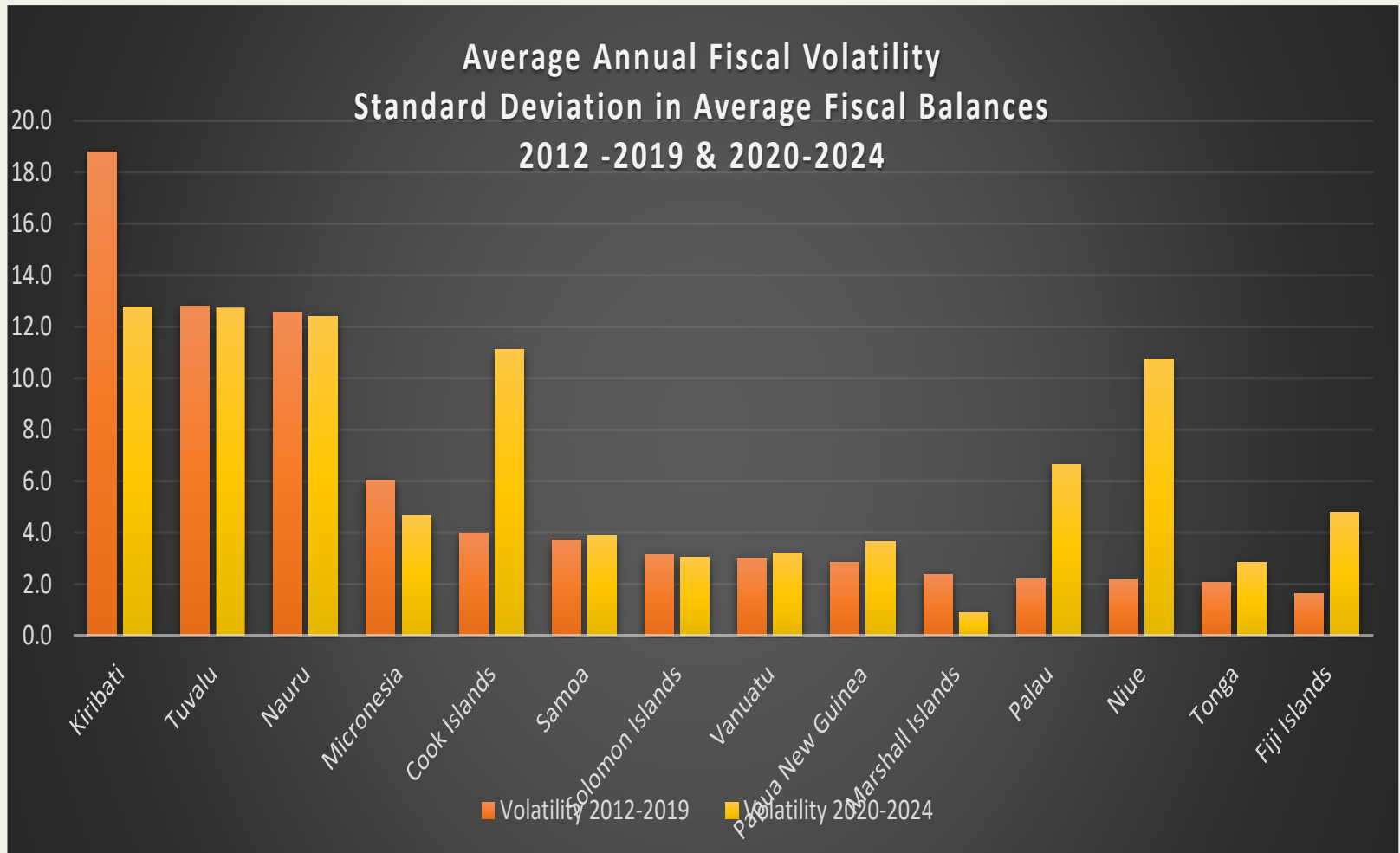
- > Since Covid government budgets have been under pressure even with the post-Covid economic recovery;
- > The surge in unemployment heightened demands for increases in social protection and social welfare programmes for those most affected by job and livelihood losses;
- > Lower economic activity inevitably resulted in lower tax and other government revenues, with increases in expenditure having an adverse impact on overall fiscal performance;
- > Average annual fiscal balances have deteriorated between the pre- and post covid periods. Only in a very few cases have budget balances improved; in most cases fiscal balances became noticeably worse between 2020 and 2024.



Source: ADB ADO April 2025 & National Statistics Offices

Fiscal Volatility Pre- and Post-Covid

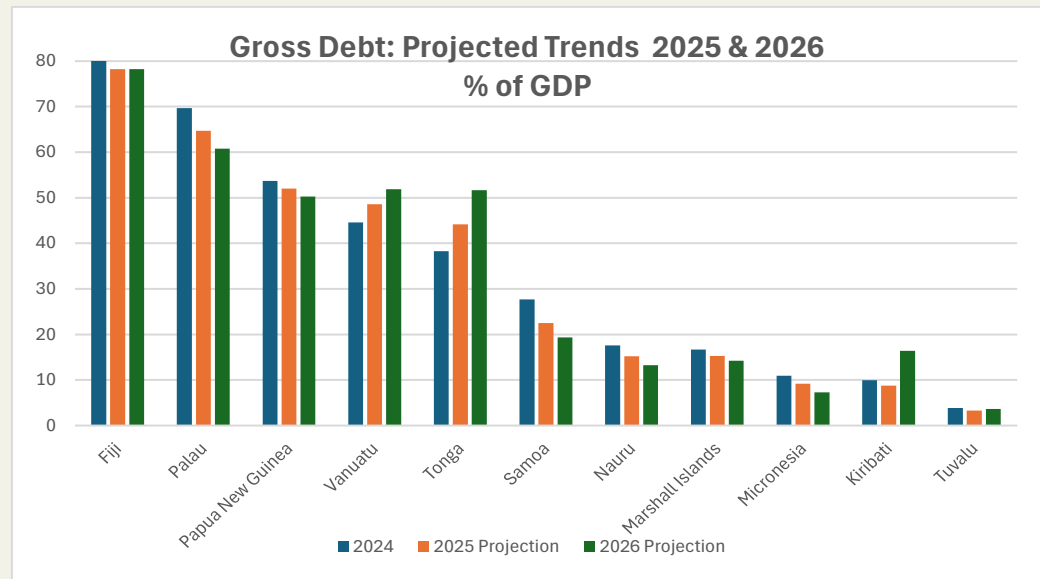
Fiscal volatility increased for many FICs as a consequence of Covid, particularly those most affected by the loss of tourism, including Fiji, Cook Islands, Palau and Niue



Source: PIFS estimates based on fiscal balances

Debt & Risk of Debt Distress

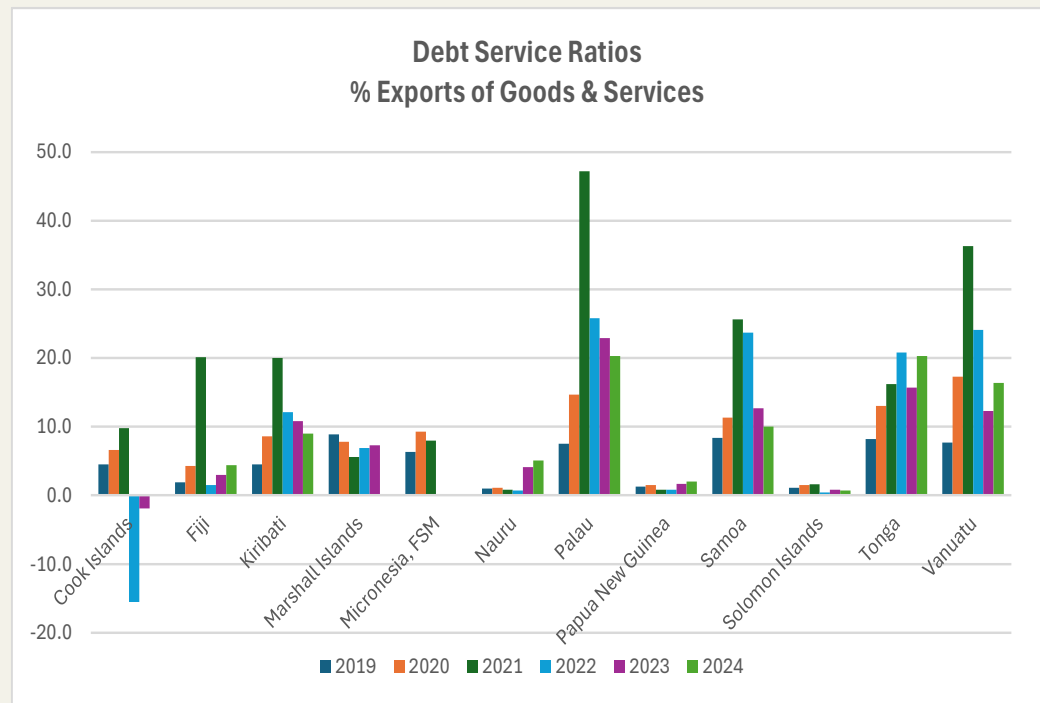
- > The IMF still ranks several FICs as being at high rise of debt distress, although all have an overall debt assessment rating as “Sustainable”;
- For all FICs except Tonga, Vanuatu and Kiribati, Gross Debt is projected to decline over the two years 2025 and 2026 as economies continue to recover
- Debt service ratios (as % of exports of goods and services) are expected to be below 10% for all FICs except for Palau, Tonga and Vanuatu in 2024.



Gross Debt % GDP & Risks of Debt Distress			
Country	Gross Debt to GDP % 2024	Risk of External Debt Distress	Debt Sustainability Assessment
Fiji	80.0	Moderate	Sustainable
Palau	69.7	Moderate	Sustainable
Papua New Guinea	53.7	High	Sustainable
Vanuatu	44.6	High	Sustainable
Tonga	38.2	High	Sustainable
Samoa	27.7	Moderate	Sustainable
Solomon Islands	22.0	Low	Sustainable
Nauru	17.6	Moderate	Sustainable
Marshall Islands	16.7	High	Sustainable
Micronesia	10.9	Moderate	Sustainable
Kiribati	9.9	High	Sustainable
Tuvalu	3.9	High	Sustainable

Source: IMF World Economic Outlook April 2025

Source: PIFS estimates based on fiscal balances





Challenges to Growth

External factors beyond the direct influence of governments: Remoteness, geography, size, limited markets and economies of scale, scarce resources, disaster vulnerability etc.,

Policies & Strategies that Governments can influence:

Governance and Institutions

- Inefficient institutions
- Low public sector productivity
- Bureaucratic responses & corruption
- Inadequate and deteriorating public infrastructure
- Inadequate level in the quality and quantity of human capital
- Loss of well qualified staff to labour mobility, migration and international agencies

Economic Conditions

- Weaknesses in public financial management
- Volatile & vulnerable fiscal conditions
- Underperforming, inefficient and subsidised SOEs
- Public debt levels and terms
- Complex regulatory environment hindering investment and private sector
- Low levels of economic diversification
- Low levels of regional economic cooperation and integration
- Low rates of employment growth



Policies & Opportunities to Promote Economic Growth: Basic Platforms

➤ **Institutions & Governance**

- Institutional and public sector management reform to improve efficiency & cost effectiveness of the public sector and service delivery;
- Promote private sector investment & employment through:
 - conducive and standardised regulatory frameworks;
 - sound governance that reduces impediments & creates incentives to investment & entrepreneurship;
 - improved access to land and capital for investment;
 - diversification of economic activity;
- Promote regional economic cooperation, integration and trade and employment through:
 - Harmonising regulatory frameworks for intra-regional investment and labour mobility;
- Empowering all people through adherence to the rule of law;
- Improve education and training for employment, entrepreneurship & management;
- Implement a peer-to-peer coordinating facility as agreed by FEMM



Policies & Opportunities to Promote Growth: Drivers of Growth

Economic Policies & Measures

- Implement the 2050 Strategy for the Blue Pacific as endorsed by Leaders, and the Pacific Roadmap for Economic Development (PRED) through:
- Improving access to finance, including the high levels of liquidity in banking systems; and
 - Identify viable investment opportunities, and minimise high loan default risks;
 - Facilitate loan guarantee/collateral services as a means to de-risk lending;
 - Sustainable correspondent banking facilities
- Increase public investment in high quality, resilient economic infrastructure, including for tourism development;
- Reform SOEs to reduce subsidies and the resulting drain on budgets;
- Assess comparative advantage of each PIC:
 - Promote economic diversification & value-adding processing, including in agriculture, fisheries and emerging sectors utilising AI and e-commerce;



Policies & Opportunities to Promote Growth: Actions for Growth

2050 Strategy & FEMM Actions

- FEMM agreed that Public Finance Management (PFM) coordinating facilities be established in PIFS
 - sharing PFM information and best practices;
- Recognising the multiple issues and challenges around increasing human mobility, including labour mobility, and previous work establishing sound employment principles and conditions; FEMM requested further analysis on:
 - labour supply & demand balances in each economy;
 - technical and vocational skills balances; and
 - assessment of migration on domestic socio-economic activity and growth prospects and opportunity costs in sending economies;
- The PRED, developed to drive implementation of the Resource & Economic Development (RED) thematic area of the 2050 Strategy proposes actions *inter alia* for:
 - assessing opportunities for economic diversification and enhancement, including in agriculture, tourism and emerging sectors;
 - enhancing regional economic cooperation and integration, including in trade, connectivity and intra-regional mobility;
 - improving financial literacy and access to finance for MSMEs;
 - Improving availability of information and administrative data for policy analysis.



Recommendations

PESC is invited to:

- i. Note** the draft economic update assessed through key indicators of real GDP growth rates, inflation, employment trends, fiscal balances, debt levels and risks of distress; and

- ii. Consider** the economic update and outlook to inform discussions on Pacific economic challenges and opportunities.

Thank you



PACIFIC ISLANDS FORUM



BLUE PACIFIC 2050

Annex 2: Key Indicators for selected Forum Island Countries

*Projected

Cook Islands	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025*	FY2026*
Real GDP Growth	3.6	-15.7	-25.5	10.9	14.0	16.0	8.1	2.9
GDP per capita	...	-15.3	-25.1	11.5	14.5	16.6	8.6	3.4
Inflation	0.0	0.7	1.8	3.6	13.2	4.6	2.3	2.0
Debt to GDP ratio	...	...	...	...	...	...	...	...

Fiji	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025*	FY2026*
Real GDP Growth	-0.6	-17.0	-4.9	19.8	7.5	3.5	3.0	3.2
GDP per capita	...	-17.5	-5.4	19.1	6.9	2.9	2.5	2.6
Inflation	1.8	-2.6	0.2	4.3	2.4	4.5	2.6	2.4
Debt to GDP ratio	49.0	63.6	83.3	91.0	82.7	81.1	80.6	

Kiribati	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025*	FY2026*
Real GDP Growth	-2.1	-1.4	8.5	3.9	4.2	5.8	4.1	3.3
GDP per capita	...	-4.6	6.7	2.2	2.5	4.1	2.9	2.1
Inflation	-1.9	2.5	2.1	5.3	9.3	3.0	2.5	2.2
Debt to GDP ratio	19.0	17.2	14.1	13.3	11.7	9.9	13.7	

Marshall Islands	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025*	FY2026*
Real GDP Growth	10.4	-2.8	1.2	-1.1	-3.9	0.4	2.5	3.0
GDP per capita	...	-2.3	4.8	1.3	-1.5	2.7	4.8	5.3
Inflation	-0.1	-0.7	2.2	2.8	7.4	4.7	3.6	3.0
Debt to GDP ratio	25.2	21.8	20.1	19.4	17.7	17.3	17.8	

Micronesia (Federated States of)	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025*	FY2026*
Real GDP Growth	2.4	-1.9	3.0	-0.9	0.8	1.1	1.7	1.1
GDP per capita	...	-0.7	4.3	0.4	1.2	1.5	2.1	1.5
Inflation	1.3	1.0	1.8	5.0	6.2	4.1	3.0	2.7
Debt to GDP ratio	19.8	21.5	17.0	14.6	12.4	10.6	10.6	

Nauru	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025*	FY2026*
Real GDP Growth	9.1	2.0	7.2	3.0	1.6	2.0	2.5	2.5
GDP per capita	...	0.4	5.9	2.2	0.8	1.2	1.8	1.8
Inflation	4.1	0.7	1.7	1.5	5.2	5.0	3.5	2.5
Debt to GDP ratio	59.6	56.3	20.5	22.2	20.2	23.4	20.9	

Niue	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025*	FY2026*
Real GDP Growth	...	-0.1	-6.8	-2.1	8.9	3.8	3.4	3.0
GDP per capita	...	-0.1	-6.8	-1.9	8.9	3.8	3.4	3.0
Inflation	...	1.9	1.9	4.6	5.1	5.4	3.7	3.2
Debt to GDP ratio	...							

Palau	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025*	FY2026*
Real GDP Growth	1.3	-6.0	-11.9	-1.1	1.5	6.6	9.5	4.5
GDP per capita	...	-5.7	-9.1	-3.1	0.4	5.4	9.4	4.4
Inflation	0.4	0.7	-0.5	13.2	12.4	3.7	2.5	2.6
Debt to GDP ratio	30.5	52.4	70.7	68.4	85.5	80.0	67.0	

Papua New Guinea	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025*	F
Real GDP Growth	4.5	-3.2	-0.5	5.7	3.8	4.3	4.2	3.8
GDP per capita	...	-5.2	-2.5	3.7	1.9	2.4	2.4	...

Inflation	3.6	4.9	4.5	5.3	2.3	0.7	3.8	4
Debt to GDP ratio	40.6	48.7	52.6	48.3	52.1	52.1	52.0	

Samoa	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025*	FY2026*
Real GDP Growth	4.5	-3.1	-7.1	-5.3	8.6	10.0	5.5	3.0
GDP per capita	...	-3.9	-7.8	-6.1	7.7	9.2	4.7	2.2
Inflation	2.2	1.5	-3.0	8.8	12.0	3.6	3.0	2.7
Debt to GDP ratio	44.3	43.2	46.3	43.7	33.4	29.1	29.7	

Solomon Islands	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025*	FY2026*
Real GDP Growth	1.7	-3.4	2.6	2.4	3.0	2.5	2.9	3.2
GDP per capita	...	-3.9	0.6	0.4	1.0	0.6	1.0	1.3
Inflation	1.8	2.7	0.8	5.4	5.1	4.1	2.7	2.5
Debt to GDP ratio	7.9	13.5	15.9	17.3	18.0	19.8	21.1	

Tonga	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025*	FY2026*
Real GDP Growth	0.7	1.8	0.4	-2.3	2.1	1.6	2.5	2.3
GDP per capita	...	2.1	0.6	-2.1	2.3	1.9	2.8	2.6
Inflation	0.5	0.2	1.4	8.5	10.2	4.6	3.2	3.0
Debt to GDP ratio	41.3	43.6	47.5	45.4	41.1	43.8		

Tuvalu	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025*	FY2026*
Real GDP Growth	13.8	-4.3	1.8	0.7	3.7	3.1	2.7	2.5
GDP per capita	...	-3.7	1.0	-2.3	8.8	5.7	1.8	1.6
Inflation	3.5	1.6	6.7	12.2	7.2	1.2	2.5	2.0
Debt to GDP ratio	11.5	12.3	11.5	10.1	8.3	7.0	5.9	

Vanuatu	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025*	FY2026*
Real GDP Growth	3.2	-5.0	-1.6	5.2	2.4	1.7	2.0	2.5
GDP per capita	...	-6.0	-3.7	2.9	0.2	-0.5	2.0	2.5

Inflation	2.8	5.3	2.3	6.7	11.2	4.8	3.5	2.4
Debt to GDP ratio	45.1	48.0	48.5	44.1	40.4	44.0	47.6	

Source: ADB Asian Development Outlook April 2025 & IMF World Economic Outlook April 2025